

## **Annexure A: Summary of detailed audit findings**

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation			
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters					
<b>Receivables from exchange transactions – Revenue accrual leases and prepaid expenses leases</b>														
<b>Payables from exchange transactions – Accrued Expense Leases</b>														
	PMTE HO COFF 05 - Follow up on overpayment made to supplier on the lease contract	X					X			3	In progress			
	PMTE HO COFF 23 - Misstatement of lease Accruals and prepayment balances	X					X			3	In progress			
	PMTE HO COFF 31- Lease overpayment 14105	X				X				1	In progress			
	PMTE HO COFF 36- Lease overpayment 139816	X				X				1	In progress			
	PMTE HO COFF 38 – Accruals and prepayments	X				X				1	In progress			
	PMTE HO COFF 49- Lease overpayments 140049	X				X				1	In progress			
<b>Leases</b>														
	PMTE HO COFF 03 - Misstatement of lease commitments schedules	X					X			0	In progress			
	PMTE HO COFF 09- Differences in lease commitments	X					X			2	In progress			
	PMTE HO COFF 10 - Misstatements of operating lease asset and liability	X					X			2	In progress			

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	PMTE HO COFF 11- Misstatement of operating lease expenditure and revenue from exchange transactions	X					X			2	In progress
	PMTE HO COFF 17 - Difference in lease commitments	X					X			2	In progress
	PMTE HO COFF 37- Leases and fruitless and wasteful expenditure	X					X			0	In progress
	PMTE HO COFF 56 - Control deficiencies identified on Archibus system	X					X			0	In progress
<b>Receivables from exchange transactions : Municipal services</b>											
	PMTE HO COFF 04 - 2020-21 - Differences noted between Annual Financial Statements and supporting schedule	X					X			0	In progress
	PMTE HO COFF 52 - 2020-21 - Impairment provision on receivables for municipal services calculated incorrectly	X					X			1	In progress
	PMTE HO COAF 60 - Incorrect Classification of Debtors with credit balances	X					X			0	In progress
	PMTE HO COFF 64 - 2020-21 – receivables balances not considered for impairment	X					X			0	In progress

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	PMTE HO COFF 61 - 2020-21 - Differences noted between prepaid expense - Implementing agent schedule and external confirmation	X					X			1	In progress
	PMTE HO COFF 62 - Scope Limitation - Implementing agents - Account confirmation	X					X			0	In progress
	PMTE HO COFF 63 - 2020-21 -Management fees on Municipal Services misstated	X					X				In progress
<b>Immovable assets</b>											
	PMTE HO COFF 06 - Properties incorrectly included in the AVL Masterfile resulting in incorrect AVL rates used	X					X				In progress
	PMTE HO COAF 07 - Incorrect AVL rates applied to value land	X					X				In progress
	PMTE HO COFF 08 - Properties incorrectly included in the AVL Masterfile resulting in incorrect AVL rates	X					X				In progress
	PMTE HO COAF 15 - Immovable assets Differences in the extents for multi-storey buildings	X					X				In progress
	PMTE HO COFF 21 - Immovable assets - Rights and Obligations	X					X				In progress
	PMTE HO COFF 24 - Immovable assets - Rights and Obligations	X					X				In progress
	PMTE HO COFF 26 - PPE - Rights and Obligations	X					X				In progress
	PMTE HO COFF 27- PPE - Existence	X					X				In progress

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	PMTE HO COFF 44 - Immovable assets - Differences identified during the physical verification process	X					X				In progress
	PMTE HO COFF 45 - Immovable assets - Properties accounted for in both the National and Provincial IAR (Rights)	X					X				In progress
	PMTE HO COFF 46 - Immovable assets - Rights and Existence - Improvements	X					X				In progress
	PMTE HO COFF 48 - PPE - Differences identified during the physical verification process	X					X				In progress
	PMTE HO COFF 50 - PPE - Depreciation differences	X					X				In progress
<b>Assets under construction</b>											
	PMTE HO COFF 51 - Assets Under Construction (PPE) – Completed projects transferred out of AUC	X					X				
<b>Commitments</b>											
	PMTE CTN COAF 08 - Overstatement of Commitments	X					X				
<b>Movable Assets</b>											
	PMTE BLM COFF 03 - Incorrect recognition of movable assets	X					X				
	PMTE MMB COFF 13 - Understatement of movable assets	X					X				
<b>Retention liabilities</b>											
	PMTE MMB COFF 07 - Understatement of retention liabilities-completeness	X					X				
	PMTE CTN COFF 12 – Retention Liabilities	X					X				

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
<b>Payables from exchange transactions</b>											
	PMTE PLK COFF 04 - Overstatement of Accruals – Other Accruals	X					X				In progress
	PMTE CTN COFF 09 - Overstatement of other Accruals – Misstatements on Accruals	X					X				In progress
	PMTE DBN COFF 06 – Overstatement of accruals - Misclassification between Accruals and Payable	X					X				In progress
	PMTE BLM COFF 07- Overstatement of day-to-day maintenance accruals	X					X				In progress
	PMTE MMB COFF 12 Overstatement of Accruals – Other Accruals (limitation of scope)			X							In progress
	PMTE PLK COFF 05 - Understatement of WCS accruals	X					X				In progress
	PMTE NLS COFF 03 - Understatement of day to day maintenance accruals completeness	X					X				In progress
	PMTE JHB COFF 03 - Understatement of accruals WCS and Day to Day	X					X				In progress
	PMTE DBN COFF 04 -Incomplete disclosure of property rates accruals on the AFS	X					X				In progress
	PMTE KMB COAF 02 - Understatement of scheduled maintenance accrual	X					X				In progress

Page no.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	PMTE KMB COAF 06 - Understatement of accrued expenses	X					X				In progress
	PMTE PE COFF 05 ,PE COFF 04, BLM COFF 07 – Understatement of accruals (other accruals)	X					X				In progress
	PMTE MMB COFF 06 - Understatement of municipal services accruals	X					X				In progress
	PMTE MTH COFF 08 – Overstatement of debtors with credit balances	X					X				In progress
	PMTE KIM COAF 07, KMB COAF 03- Understatement of debtors with credit balances	X					X				In progress
<b>Provisions</b>											
	PMTE PTA COFF 06 – Overstatement of provisions	X					X				In progress
	PMTE BLM COFF 08 - Incorrect classifications of provisions	X					X				In progress
	PMTE HO COFF 29 - Understatement of provisions	X					X				In progress
	CTN COAF 06 - Overstatement of Provisions	X					X				In progress
	PMTE PTA COFF 06 – Overstatement of provisions	X					X				In progress

Page no.	Finding	Classification							Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
	PMTE HO COFF 32- Cashflow not accurately calculated	X					X					In progress
<b>Disclosure note : Prior period error</b>												
	PMTE HO COFF 53 - Prior period error	X					X					In progress
<b>Disclosure note : Related parties</b>												
	PMTE HO COAF 54 - Incomplete disclosures for Related parties	X					X					In progress
<b>Disclosure note : Contingent Assets</b>												
	PMTE HO COAF 55 - Contingent Assets overstated	X					X		0			In progress
<b>Fruitless and wasteful expenditure</b>												
	PMTE PTA COAF 09, MTH COAF 06- Fruitless and wasteful expenditure understatement			X			X					In progress
	PMTE DBN COFF 03, - Fruitless and Wasteful expenditure not disclosed on the AFS			X			X					In progress
	PMTE HO 59 – Fruitless and wasteful expenditure on lease prepayments			X			X					In progress
<b>Irregular expenditure</b>												
	PMTE HO COAF 43 – Allegations investigations			X			X					In progress
	PMTE HO COAF 41- Irregular expenditure disclosure			X			X					In progress

Page no.	Finding	Classification							Rating	Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Matters affecting the auditor's report	Other important matters			
	PMTE KMB COAF 05 - Irregular fruitless and wasteful expenditure Disclosure notes not fairly presented and complete			X			X				In progress
	PMTE HO COFF 58 - Expenditure in excess of 20% threshold without treasury approval - Sarah Baartman Heritage Centre			X			X				In progress
<b>Expenditure</b>											
	PTA COFF 03 – Transactions recorded in the incorrect accounting period.			X			X				
<b>Procurement and contract management</b>											
	PMTE PLK COFF 01 - Winning bidder did not comply with the stipulated qualifying criteria.			X			X				
	PMTE PLK COFF 02 -Losing bidder not awarded the correct functionality points.			X			X				
	PMTE PLK COFF 03 - Deviation not justified			X			X				
	PMTE CPT COFF 01 - Winning bidder did not meet the minimum qualifying criteria.			X			X				
	PMTE CPT COFF 02 - Winning bidder did not meet the minimum functionality score and evaluation criteria differed from the bid document.			X			X				
	PMTE CPT COFF 03 - Splitting of quotations.			X			X				
	PMTE MMB COFF 01 - Misrepresentations on PA-11 by the winning bidder.			X			X				

Page no.	Finding	Classification						Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Rating		
		X			X	X	Matters affecting the auditor's report	Other important matters	Administrative matters
	PMTE MMB COFF 02 - Winning bidder did not submit all the returnable documents.			X			X		
	PMTE PE COFF 01 - Misrepresentations by the winning bidder.			X			X		
	PMTE DBN COFF 01 - The allocation and calculation of preference points was not correctly done in accordance with the requirements of the PPPF Act and PPR 2017.			X			X		
	PMTE DBN COFF 02 - Local content procurement not in accordance with the National Treasury Designated Sector Instruction notes.			X	X		X		
	PMTE MTH COFF 01 - Limitation of scope.			X			X		
	PMTE MTH COFF 02 – Non-compliance with PPR 2017			X			X		
	PMTE MTH COFF 02 – Procurement as an emergency not justifiable			X			X		
	PMTE MTH COFF 02 – Tender number MTH682018			X			X		
	PMTE MTH COFF 02 – Tender number MTH352018			X			X		
	PMTE MTH COFF 02 – Awards made to suppliers with non-compliant tax status			X			X		

Page no.	Finding	Classification						Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Rating		
		X			X	Other important matters	Administrative matters		
	PMTE HO COAF 22 - Competitive Bids Bidders Not Awarded Correct Functionality			X		X			
	PMTE HO COFF 30 - Quotations and bids audit findings local content				X				
	PMTE HO COAF 39- Scope Limitation - RFI 179			X		X			
	PMTE HO SCM COFF 20 - Limitation of scope on information			X		X			
	PMTE PTA COAF 05 – VO not justifiable and assigning of contract to another supplier			X		X			
	PMTE BLM COFF 06 -SCM- Local content procurement form not accurately completed and DTI not notified			X		X			
	PMTE MMB COFF 2 – PA 36 declaration for local content and production not indicating the local content percentage, DTI not notified and not advertised on e-tender portal			X		X			
	PMTE HO COAF 35 Procurement and Contract Management - Misrepresentation by the winning bidder (false declaration)			X		X			
	PMTE HO COFF 12 -Lease payments not in line with the deviation approved by National Treasury for DoH office accommodation			X		X			

Page no.	Finding	Classification							Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency control	Service delivery	Matters affecting the auditor's report	Other important matters		
	PMTE HO COAF 28 - Prequalifying criteria not met, deviation not approved and deviation not in SCM prescripts			X			X			
	PMTE HO COAF 57 - tender publication and government bulletin finding			X			X			
	PMTE HO COAF 58 – Contract variation excess of 20%			X			X			
	JHB COFF 02 - Deficiencies in contract management at Leeuwkop			X			X			
<b>Administrative others</b>										
	PMTE HO COFF 01 - 2020-21 - SCM procurement registers not complete				X			X		
<b>Findings relating to information system audit</b>										
<b>1. User Access management</b>										
	Inadequate implementation of user access management controls around WCS system				X			X	5	In progress
	Inadequate implementation of user access management controls around WORX4U system				X			X	5	In progress
	Inadequate implementation of user access management controls around SAGE X3 system				X			X	5	In progress
	Inadequate implementation of user access controls on GIS				X			X	4	In progress
	Inadequate implementation of user access management controls on PMIS				X			X	2	In progress

Page no.	Finding	Classification							Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Missstatements in financial statements	Missstatements in annual performance report	Non-compliance with legislation	Internal deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
	Inadequate implementation of user access management controls on Archibus			X				X		2		In progress
<b>2. Change Management</b>												
	Inadequate implementation of change controls around PMIS, WCS, WORX4U, SAGE, GIS, ARCHIBUS			X				X		5		In progress
<b>3. Information Technology Service continuity</b>												
	Inadequate IT service continuity controls			X				X		5		In progress
<b>Security Management (Network Security)</b>												
<b>4. Network Security: Internal Vulnerability Assessment</b>												
	Missing security updates and unsupported software on various systems			X				X		2		In progress
	Insecure configurations on internal networked systems			X				X		2		In progress
<b>5. Network Security: Operating system and database</b>												
	Inadequately configured Windows operating system for SAGE			X				X		2		In progress
	Inadequately configured SQL database for SAGE			X				X		2		In progress

## **DETAILED AUDIT FINDINGS: ANNEXURES A TO C**

### **ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT**

*Receivables from exchange transactions – Revenue accrual leases and prepaid expenses leases  
Payables from exchange transactions – Accrued Expense Leases*

#### **PMTE HO COFF 05- Follow up - Overpayments made to the supplier on the lease contract**

##### **Requirements:**

Section 38 (1) (b) of the Public Finance Management Act (PFMA) states that “*The accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*”

Section 38 (1) (c) of the PFMA states that: “*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to -*

- (i) collect all money due to the department, trading entity or constitutional institution;*
- (ii) prevent unauthorised, irregular, fruitless, and wasteful expenditure and losses resulting from criminal conduct; and*
- (iii) manage available working capital efficiently and economically;”*

Treasury Regulation 8.1.1 state that “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported.*”

## Nature

Competitive bidding process (Tender number PT14/032) was followed to appoint a service provider for office accommodation and parking bays for the period of four years for Department of Rural Development and Land Reform (DRDLR) for the SUNCARDIA building. The Department of Public Works and Infrastructure (DPWI) entered into a lease agreement with Vukile Property Fund on behalf of the DRDLR and the tender was accepted on 26 May 2015.

**Table A**

Event No.	The following are key details on the lease agreement
1	<p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - 6403.61 m<sup>2</sup> office accommodation and 107 parking bays</li> <li>• Lease period - Four (4) years</li> <li>• Commencement date - 01 October 2015</li> <li>• Contract end date - 30 September 2019</li> <li>• Commencement rental amount - R 771 656.22 per month,</li> <li>• Escalation rate - 5.5% annual escalation</li> </ul>
2	Clause 4.3 of the lease contract states that " <i>The lessee shall give written notice to the lessor of its intention to exercise the option to renew this agreement (referred to in clause 4.2 above) by no later than 3 months prior to the expiry of the initial lease period. Should the lessee fail to so exercise the option, this agreement shall continue on a month to month basis until such time as either of the parties gives the other a written notice terminating this agreement, in which event, this agreement at the end of the month following the month in which the notice was given...</i> "
3	Clause 5.2 of the lease contract states that " <i>The lease commences with the commencement rental. Thereafter the rental shall escalate each year, on each anniversary date of the lease, in accordance with the compounded escalation rate set out in item 9 on Schedule A...</i> "
4	Clause 5.3 of the lease contract states that " <i>The rental shall be paid by the lessee to the lessor, monthly in advance on or before the 7<sup>th</sup> (seventh) day of each and every month...</i> "
5	<p><b>On 08 of May 2019</b> the entity renewed the contract for a further period of three (3) years with the landlord</p> <p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - 6403.61 m<sup>2</sup> office accommodation and 107 parking bays</li> <li>• Lease period - Three (3) years</li> <li>• Commencement date - 01 June 2019</li> <li>• Contract end date - 31 May 2022</li> <li>• Commencement rental amount - R 871 526.35 per month,</li> <li>• Escalation rate - 6% annual escalation</li> </ul>
<pre> graph LR     A[Inception of contract 01 Oct 2015] --&gt; B[Renewed contract on 01 Jun 2019]     B --&gt; C[Contract end on 30 Sep 2019]     C --&gt; D[Contract end on 31 May 2022]     </pre> <p>Contract is active for 4 years and renewed before it came to an end. The monthly rental on the last year of the contract was R914 059,01</p> <p>Contract renewed for a period of 3 years and it is effective from 01 Jun 2019. New terms are negotiated and the monthly rental was R871 526,35.</p>	

## Nature of prior year findings

During the 2019/20 financial period, a finding was raised with respect to overpayments made on lease contracts (COFF 09 of 2019/20, lease number 140280). Weaknesses were noted in the contract management processes, which resulted in payments made to the landlord being in excess of the amounts payable as per the lease agreement. These duplicate payments / overpayments mainly occurred between the periods October 2017 to March 2019 and below is a summary of the impact of these duplicate payments:

*Table B*

Lease contract amount (01 October 2015 – 31 March 2020)	Total payments made as at 31-Mar-20	Overpayment balance	Impairment as at 31 March 2020
R 46 135 420,23	R 55 519 753,25	R 9 384 333,02	R 9 384 333,02

*Refer to annexure A for detailed calculations*

Management agreed with the finding. Furthermore, management response indicated that “*Most of the overpayments are legacy issues and a service provider, O.M.A chartered accountant were appointed to deal with and recover, and in addition the SIU is involved in the recovery of overpayments. The leases were corrected prior the implementation of Archibus and subsequent to the implementation Head Office ensured that all leases pay according to the lease document corresponding to the applicable period. A great effort has been made to reverse the teething problems when Archibus was first implemented.*”

Please see instances of duplicate payments identified below:

*Table C*

No.	Month	Date paid	Payment reference / Description	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Mar-19	01-Mar-19	RENT (ADV) from 01-03-2019 to 31-03-2019	914 059,01	914 059,01	-914 059,01
		01-Mar-19	RENTAL PAYMENT FOR MARCH 2019 6029/6593/3		914 059,01	
2	Feb-19	01-Feb-19	RENTAL PAYMENT FOR FEBRUARY 2019 6029/6593/3	914 059,01	914 059,01	-914 059,01
		01-Feb-19	RENT (ADV) from 01-02-2019 to 28-02-2019		914 059,01	
3	Dec-18	03-Dec-18	RENTAL PAYMENT FOR DECEMBER 2018 6029/6593/3	914 059,01	914 059,01	-914 059,01
		03-Dec-18	RENT (ADV) from 01-12-2018 to 31-12-2018		914 059,01	
4	Nov-18	21-Nov-18	RENTAL PAYMENT FOR NOVEMBER 2018 6029/6593/3	914 059,01	914 059,01	-914 059,01
		01-Nov-18	RENT (ADV) from 01-11-2018 to 30-11-2018		914 059,01	
5	Sep-18	03-Sep-18	RENT (ADV) from 01-09-2018 to 30-09-2018	866 406,65	866 406,65	-866 406,65
		03-Sep-18	RENTAL PAYMETN FOR SEPTEMBER 2018 6029/6593/3		866 406,65	
6	Aug-18	01-Aug-18	RENT (ADV) from 01-08-2018 to 31-08-2018	866 406,65	866 406,65	-866 406,65
		01-Aug-18	RENTAL PAYMENT FOR SAUGUST 2018 6029/6593/3		866 406,65	
7	May-18	30-May-18	RENTAL PAYMENT FOR JUNE 2018 6029/6593/3	866 406,65	866 406,65	-866 406,65
		29-May-18	RENT (ADV) from 01-06-2018 to 30-06-2018		866 406,65	
8	Apr-18	24-Apr-18	RENT (ADV) from 01-05-2018 to 31-05-2018	866 406,65	866 406,65	-866 406,65
		18-Apr-18	RENTAL PAYMENT FOR MASY 2018 6029/6593/3		866 406,65	
9	Mar-18	26-Mar-18	RENTAL FOR APRIL2018 SUNDIRCARDIA	866 406,65	858 872,68	-858 872,68
		22-Mar-18	RENT (ADV) from 01-04-2018 to 30-04-2018		866 406,65	

No.	Month	Date paid	Payment reference / Description	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
10	Feb-18	23-Feb-18	RENT (ADV) from 01-03-2018 to 31-03-2018	858 872,68	858 872,68	-858 872,68
		21-Feb-18	RENTAL PAYEMTN FOR MARCH 2018 6029/6593/3		858 872,68	
11	Sep-17	27-Sep-17	RENT (ADV) from 01-10-2017 to 31-10-2017	858 872,68	858 872,68	-858 872,68
		21-Sep-17	RENTAL PAYEMTN FOR OCTOBER 2017 6029/6593/3		858 872,68	
<b>Total</b>						<b>-9 698 480,68</b>

The overpayments noted in the table above were offset by the underpayments made in the months depicted in the table below.

No.	Month	Date paid	Payment reference / Description	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Mar-16	29-Feb-16	RENT (ADV) from 01-03-2016 to 31-03-2016	771 656,23	695 139,49	76 516,74
2	Nov-17	23-Oct-17	RENT (ADV) from 01-11-2017 to 30-11-2017	858 872,68	693 486,75	165 385,93
3	Oct-18	01-Oct-18	RENT (ADV) from 01-10-2018 to 31-10-2018	914 059,01	841 813,81	72 245,20
<b>Total</b>						<b>314 147,87</b>

The correctness of the overpayments identified by auditors in the table above was disclosed on the annual financial statements note 3 receivables from exchange transactions (Prepaid expenses – leases). Management's schedules supporting the reconciliation as per the "Accruals and Prepayments" schedule determined that the overpayment as at 31 March 2020 amounted to **R 9 384 332, 82**. This was calculated by comparing the amount that was actually paid with the amount that should have been paid over the lease period. A provision for impairment was then made for the full overpayment.

As demonstrated above, management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments. These controls would have provided management reasonable assurance that rental payments to be made were necessary for each month and appropriate. This control deficiency resulted in management making duplicate payments in the months identified above.

## Current year follow-up

### Issue 01 – Overpayment and lack of recovering money

During the current year audit, we noted that the lease contract was extended / renewed with effect from 01 June 2019 while the old contract was still active (4 months before it expired). This renewal resulted to lesser monthly rental payments as compared to the previous lease contract (*R871 526, 35 vs R914 059, 01 respectively*). However, as per Archibus payment listing, management continued to make payments based on the old lease contract even though a new lease had a lesser monthly rental and resulted in additional overpayments made since the renewal period up to the end of the current year.

The table below illustrates overpayments made:

Table D

No.	Month	Date paid	Payment reference / Description	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	01-Jun-19	03-Jun-19	RENT (ADV) from 01-08-2019 to 31-08-2019	871 526,35	914 059,01	- 42 532,66
2	01-Jul-19	04-Jul-19	RENT (ADV) from 01-07-2019 to 31-07-2019	871 526,35	914 059,01	- 42 532,66
3	01-Aug-19	01-Aug-19	RENT (ADV) from 01-06-2019 to 30-06-2019	871 526,35	914 059,01	- 42 532,66
4	01-Sep-19	10-Sep-19	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	914 059,01	- 42 532,66
5	01-Oct-19	16-Oct-19	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
6	01-Nov-19	07-Nov-19	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
7	01-Dec-19	10-Mar-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
8	01-Jan-20	10-Mar-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
9	01-Feb-20	10-Mar-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
10	01-Mar-20	06-Mar-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
11	01-Apr-20	07-Apr-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
12	01-May-20	07-May-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	871 526,35	964 389,16	- 92 862,81
13	01-Jun-20	05-Jun-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	964 389,16	- 40 571,23
14	01-Jul-20	06-Jul-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	964 389,16	- 40 571,23
15	01-Aug-20	06-Aug-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	964 389,16	- 40 571,23

No.	Month	Date paid	Payment reference / Description	Amount payable as per contract (in Rands)	Payment Made PMTE (in Rands)	by (in Rands)	Difference / Overpayment (in Rands)
16	01-Sep-20	07-Sep-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	964 389,16	-	40 571,23
17	01-Oct-20	16-Nov-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
18	01-Nov-20	05-Nov-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
19	01-Dec-20	07-Dec-20	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
20	01-Jan-21	07-Jan-21	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
21	01-Feb-21	05-Feb-21	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
22	01-Mar-21	05-Mar-21	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	923 817,93	1 017 430,57	-	93 612,64
<b>Total</b>							<b>-R 1 636 993.88</b>

Table E below illustrates the summary of the overpayments relating to the lease contract from inception of the lease to 31 March 2021.

Table E

Total Lease contract amount (01 October 2015 – 30 March 2021)	Total payments made as at 31 March 2021	Overpayment balance
R 56 389 687	R 67 411 013	R 11 021 367

The internal procedures and internal control measures in place for the approval and processing of rental payments were not effective as the entity continued to make over payments. Such controls would have provided management reasonable assurance that rental payments to be made were necessary for each month and appropriate.

The audit team note with concern that management has not taken effective steps to recover all overpayments made in the previous years but continued to make such overpayments even in the current year. Such payments could have been recovered through the withholding of current year lease payments or otherwise and these funds were not used economically as they could have been redirected to other functions within PMTEs mandate or reducing the bank overdraft.

## **Issue 02 – Accounting issues**

Management recognized a lease accrual, based on the detailed analysis / calculation as per annexure A, the accrual is overstated and a receivable are understated.

AFS line item	AFS Note	PMTE	Auditors	Differences	Assessment
Accrued expense - Leases	12	33 935 956	-	33 935 956	Overstatement
Prepaid expenses – Leases	3	-	11 020 283	11 020 283	Understated

### **Impact**

- Non – compliance with Treasury Regulation paragraph 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.
- Non – compliance with Section 38(1) (c) (i) of the PFMA as management has not taken effective steps to recover overpayments due.
- Non – compliance with Section 38(1) (b) of the PFMA as management did not use funds economically which could have been reprioritised in the furtherance of service delivery.
- Understatement of Prepaid expenses – leases by R R 11 021 367 and ;
- Overstatement of Accrued expenses – Leases by R 33 935 956.

### **Internal control deficiency**

#### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations. As a result, irregular expenditure was incurred.

Internal procedures and internal control measures in place for the approval and processing of payments were not adequate, or were not implemented as a result overpayments were made.

Management did not implement controls over reconciling payments made to suppliers by the system on a monthly basis and monthly lease payments as per lease agreement.

### **Recommendation**

It is recommended that management should enhance lease payment processes through the implementation of ARCHIBUS to ensure only the rental due as per the lease contract is paid and no system override occur. These enhancements should include effective controls to ensure accurate lease data is captured on Archibus.

Management should review the automated controls on Archibus to identify all weaknesses embedded on the programmed controls and ensure that controls are enhanced such that the system does not permit for duplicate payments to be made to the same service provider relating to the same building.

Management should stop making overpayments to suppliers. Furthermore, management should recover all overpayments already made to landlords and consequence management should be taken for the responsible officials.

Management should perform regular reconciliations for lease payments in order to identify overpayments timely and respond effectively.

### **Management response**

Management is not in agreement with the Understatement of Prepaid expenses – leases by R 11 021 367 and Overstatement of Accrued expenses – Leases by R 33 935 956. According to management the Accrual value should be R6 552 555.09, thus the overstatement of the accrual is R 27 383 400.90. There is no understatement of prepaid expenses.

The root cause of the error is inconsistency of data on Archibus between the lease portfolio console and the payment enquiry. The contractual obligation is based on the payment enquiry, whereas the PMIS payments compared against was from the date as per the lease portfolio console.

An investigation was performed to determine the extent of the problem and 39 properties were affected. The correct date was used to compare against PMIS payment data and resulted in a correction of R 51 734 393.90.

The error was as a result of using the incorrect date of the Lease portfolio console and not the payment enquiry. The error is not representative of the full population but limited to the 39 properties identified. This is a systematical error in the calculation which has been corrected.

Please refer to attached corrected lease schedule.

### **Auditor's conclusion**

Management's response is noted.

From the response, management acknowledges that in the beginning of the year, the landlord has been overpaid by around R9.5 million. Management further acknowledge that due to the new contract not being captured on the system, a further over payment of R1.5 million occurred in the current year. Therefore as at year-end, the cumulative overpayment of R11.2 million raised by the auditors agrees to management's assessment of the overpayment.

The PMIS payment listing, the Archibus payment listing, corroborates the overpayments, which were calculated by auditors and remittance advices for the 2020/2021 financial year which are evidence that the landlord was paid in excess of what it was owed.

We note that in an attempt to correct this overpayment, management processed a credit note to reverse all the payments made since Archibus was implemented (30 September 2019 to 31 March 2021). However, because the correct contract was only captured after year end (May 2021), this creates a misalignment on landlords account which is that the incorrect lease payment from 30 September to year end are reversed but the correct lease payments are not captured simultaneously in order to reflect the correct status as at year end.

Although this may have corrected the accounting entries, we cannot run from the fact that as at 31 March 2021, lease payments, which are more than the contractual obligation, were paid over to the landlord. These payments have not been recovered. This is further corroborated by the remittance advices we obtained, for months post year-end which do not reflect a "reversal" or withheld lease payments.

Therefore, based on our assessment and taking into account management's response, the Landlord has been overpaid as at 31 March 2021 by R 11.2 million.

## PMTE HO COFF 23 - Misstatement of Lease accruals and prepayments balances

### Requirements

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### Nature

#### Issue 1

During the audit of receivables for prepaid expense leases, we noted that the prepayment balance as at 31 March 2021 is misstated. Our recalculations based on the supporting documentation (lease contracts provided and the payment reports) indicated differences from management's balances.

This resulted in the prepaid expense balance not fairly presenting the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets.

Please see table below:

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
1	137869	PE	6425/6291/000	(66,93)	R 13 559 964,39	R (13 560 031,32)
2	138273	CPT	6538/5846/000	(43 697,69)	R (1 710 143,27)	R 1 666 445,58
3	138806	CPT	6508/7632/000	(76 826,31)	R (1 130 692,66)	R 1 053 866,35
4	140157	PTA	6029/6936/000	(117 000,01)	R 1 025 457,59	R (1 142 457,60)
5	139967	CPT	6538/5996/001	(245 335,96)	R (3 293 145,69)	R 3 047 809,73
6	138957	JHB	6106/0975/000	(373 583,10)	R 150 271,28	R (523 854,38)
7	138050	DBN	6221/0140/000	(567 100,05)	R 78 497 292,75	R (79 064 392,80)
8	140326	JHB	6110/1795/000	(653 994,56)	R (8 596 253,35)	R 7 942 258,79
9	138575	DBN	6301/0470/000	(1 353 617,90)	R 322 916,90	R (1 676 534,80)
10	137733	PTA	6029/0134/000	(1 713 532,34)	R (1 008 410,76)	R (705 121,58)
11	137700	PTA	6029/0096/000	(1 718 019,83)	R (11 540 000,30)	R 9 821 980,47
12	139685	JHB	6109/4918/000	(3 416 232,17)	R (6 361 707,30)	R 2 945 475,13
13	138286	DBN	6304/0819/000	(3 977 327,03)	R (674 525,09)	R (3 302 801,94)
14	139269	DBN	6319/0193/000	(4 087 176,46)	R 7 393 252,01	R (11 480 428,47)
15	138709	PE	6418/5531/000	(4 228 697,88)	R (21 105 799,00)	R 16 877 101,12
16	139296	PTA	6029/6519/001	(5 133 573,83)	R (60 906 326,50)	R 55 772 752,67
17	138219	PTA	6029/5379/000	(5 192 791,89)	R (17 042 419,68)	R 11 849 627,79
18	139749	PTA	6029/6810/000	(5 560 643,69)	R 11 231 145,41	R (16 791 789,10)
19	139515	JHB	6109/4974/000	(5 814 698,63)	R (18 251 427,42)	R 12 436 728,79
20	138402	PTA	6029/5830/000	(5 991 039,93)	R (14 000 463,30)	R 8 009 423,37

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
21	139560	NEL	6024/0835/000	(6 340 837,32)	R (822 137,69)	R (5 518 699,63)
22	140049	PTA	6029/6927/000	(8 299 776,88)	R 71 661 643,30	R (79 961 420,18)
23	140098	PTA	6029/0061/001	(8 716 281,60)	R 13 096 826,22	R (21 813 107,82)
24	140227	PTA	6029/6949/000	(9 360 971,05)	R (11 030 255,67)	R 1 669 284,62
25	137730	PTA	6029/0209/000	(10 624 616,18)	R (860 526,80)	R (9 764 089,38)
26	138631	PTA	6029/6213/000	(11 056 919,52)	R (17 424 975,08)	R 6 368 055,56
27	138721	MTH	6458/5389/000	(11 694 116,64)	R (12 746 662,87)	R 1 052 546,23
28	137842	CPT	6508/7358/000	(17 272 008,72)	R (19 029 939,55)	R 1 757 930,83
29	138691	PTA	6029/6346/000	(20 034 889,09)	R (9 182 006,42)	R (10 852 882,67)
30	138813	PTA	6029/2788/000	(21 594 076,59)	R (22 682 664,33)	R 1 088 587,74
31	137724	PTA	6029/3913/000	(23 546 758,01)	R (53 018 187,87)	R 29 471 429,86
<b>Total</b>						<b>R (83 326 307,03)</b>

## Issue 2

During the audit of payables for accrued lease expense expense, we noted that the accrual balance as at 31 March 2021 is misstated. Our recalculations based on the supporting documentation (lease contracts provided and the payment reports) indicated differences from management's balances.

This resulted in the accrual lease balance not fairly presenting the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets.

Please see table below:

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
1	138236	CPT	6502/6031/000	31 537,99	R (7 502 623,65)	R 7 534 161,64
2	139311	BFN	6706/2868/000	79 657,07	R 237 881,80	R (158 224,73)
3	140081	CPT	6508/7679/000	133 195,93	R (135 474 291,72)	R 135 607 487,65
4	139826	DBN	6310/1234/000	332 426,91	R 396 676,69	R (64 249,78)
5	139236	CPT	6508/7648/000	1 250 752,56	R 1 543 093,46	R (292 340,90)
6	140330	NEL	6024/0955/000	1 333 176,84	R (619 183,24)	R 1 952 360,08
7	140180	DBN	6310/1240/000	1 999 105,13	R (739 007,24)	R 2 738 112,37
8	140359	PTA	6029/6961/000	2 174 638,02	R 2 155 745,48	R 18 892,54
9	139867	BFN	6758/0307/000	2 536 890,75	R (10 109 319,33)	R 12 646 210,08
10	138087	BFN	6722/0198/000	3 540 691,18	R (2 525 593,87)	R 6 066 285,05
11	140165	CPT	6508/7694/000	4 215 911,71	R (1 583 415,40)	R 5 799 327,11
12	140152	DBN	6301/4470/000	6 582 733,09	R 4 309 106,13	R 2 273 626,96
13	139460	CPT	6502/6031/000	7 719 320,01	R (36 597 069,76)	R 44 316 389,77
14	138504	CPT	6508/7614/000	8 759 562,78	R (11 398 349,10)	R 20 157 911,88
15	139488	PTA	6029/1637/000	10 230 404,36	R 2 746 249,54	R 7 484 154,82
16	139360	PTA	6029/6752/000	12 229 325,95	R (35 147 365,48)	R 47 376 691,43
17	140105	PTA	6029/6593/001	13 425 919,10	R 8 275 421,18	R 5 150 497,92
18	138823	PTA	6029/0319/000	15 221 431,23	R 15 227 468,15	R (6 036,92)
19	140012	PTA	6029/0216/002	17 771 903,08	R 22 129 832,40	R (4 357 929,32)
20	138488	MTH	6458/5372/000	18 351 559,06	R (6 101 694,27)	R 24 453 253,33
21	139333	PTA	6029/7044/000	25 379 431,53	R (6 438 690,10)	R 31 818 121,63
22	139901	PTA	6029/6895/000	25 728 178,43	R (24 547 871,33)	R 50 276 049,76
23	139822	NEL	6024/0852/000	29 153 494,48	R (7 313 062,44)	R 36 466 556,92
24	139408	DBN	6307/1175/000	35 504 780,58	R (29 721 697,10)	R 65 226 477,68
25	139180	PTA	6029/6696/000	59 654 211,73	R 59 447 361,05	R 206 850,68
<b>Total</b>						<b>R 502 690 637,65</b>

## **Impact**

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Prepaid expense balance (Leases) is understated/overstated by R83 326 307,03
- Accruals expense balance (Leases) understated/overstated by R 502 690 637,65

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately reconcile the contractual obligation of the lease contracts with the PMIS and ARCHUBUS payments ensure that the overpayment and accrual balance as at year-end is accurate.

## **Recommendation**

It is recommended that:

Management should perform a thorough review of the accruals and prepayment schedule and update it accordingly to ensure that the balances per landlord is valued accurately.

## **Management response:**

Management does not agree with the amount of misstatements as per the finding. To this end, we have provided documentation and clarification necessary to correct your determination of the misstatements. These documents were made available to you and also attached to this response.

## **Auditor's conclusion**

### **Issue 1**

Management comments are noted, after further deliberation and taking into account new contract agreement, the misstatement for prepaid expenses is now **R96 535 299,82**

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
1	137842	CPT	6508/7358/000	- 17 272 008,7	- 16 963 663,6	308 345,1
2	139967	CPT	6538/5996/001	- 245 336,0	- 245 336,0	0,1
3	138806	CPT	6508/7632/000	- 76 826,3	- 15 362 311,1	- 15 285 484,8
4	138273	CPT	6538/5846/000	- 43 697,7	- 68 308,5	- 24 610,8
5	139269	DBN	6319/0193/000	- 4 087 176,5	- 4 087 176,6	0,1
6	138286	DBN	6304/0819/000	- 3 977 327,0	- 755 843,9	3 221 483,1
7	138575	DBN	6301/0470/000	- 1 353 617,9	- 1 568 660,4	- 215 042,5
8	138050	DBN	6221/0140/000	- 567 100,1	6 896 702,1	7 463 802,2
9	139515	JHB	6109/4974/000	- 5 814 698,6	415 461,1	6 230 159,7
10	139685	JHB	6109/4918/000	- 3 416 232,2	- 3 416 232,3	0,1
11	140326	JHB	6110/1795/000	- 653 994,6	708 304,7	1 362 299,3
12	138957	JHB	6106/0975/000	- 373 583,1	150 271,3	523 854,4

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
13	138721	MTH	6458/5389/000	- 11 694 116,6	- 357 984,4	11 336 132,3
14	139560	NEL	6024/0835/000	- 6 340 837,3	- 640 784,4	5 700 053,0
15	138709	PE	6418/5531/000	- 4 228 697,9	- 1 920 675,8	2 308 022,1
16	137869	PE	6425/6291/000	- 66,9	-	66,9
17	137724	PTA	6029/3913/000	- 23 546 758,0	- 376 593,0	23 170 165,0
18	138813	PTA	6029/2788/000	- 21 594 076,6	- 18 532 901,1	3 061 175,5
19	138691	PTA	6029/6346/000	- 20 034 889,1	- 9 182 006,4	10 852 882,7
20	138631	PTA	6029/6213/000	- 11 056 919,5	- 6 632 315,9	4 424 603,6
21	137730	PTA	6029/0209/000	- 10 624 616,2	- 16 676 108,5	- 6 051 492,3
22	140227	PTA	6029/6949/000	- 9 360 971,1	- 14 062 724,1	- 4 701 753,1
23	140098	PTA	6029/0061/001	- 8 716 281,6	- 9 805 028,2	- 1 088 746,6
24	140049	PTA	6029/6927/000	- 8 299 776,9	- 754 978,9	7 544 798,0
25	138402	PTA	6029/5830/000	- 5 991 039,9	8 766 503,3	14 757 543,2
26	139749	PTA	6029/6810/000	- 5 560 643,7	11 231 145,4	16 791 789,1
27	138219	PTA	6029/5379/000	- 5 192 791,9	- 6 040 440,6	- 847 648,7
28	139296	PTA	6029/6519/001	- 5 133 573,8	1 379 561,5	6 513 135,4
29	137700	PTA	6029/0096/000	- 1 718 019,8	- 2 667 305,7	- 949 285,9
30	137733	PTA	6029/0134/000	- 1 713 532,3	- 1 008 410,8	705 121,6
31	140157	PTA	6029/6936/000	- 117 000,0	- 693 000,0	- 576 000,0
<b>Total</b>					<b>96 535 299,82</b>	

## Issue 2

Management comments are noted, after further deliberation and taking into account new contract agreement, the misstatement for prepaid expenses is now **R120 075 950,45**. This also has an impact on revenue accrual recoverable leases.

No.	Archibus Asset	Region	Property File Reference	Accrual as per Schedule	Recalculated amount	Difference
1	139311	BFN	6706/2868/000	79 657,07	86 741,41	- 7 084,34
2	139867	BFN	6758/0307/000	2 536 890,75	2 525 495,12	11 395,63
3	138087	BFN	6722/0198/000	3 540 691,18	3 530 960,99	9 730,20
4	138236	CPT	6502/6031/000	31 537,99	48 361,90	- 16 823,91
5	140081	CPT	6508/7679/000	133 195,93	- 4 040 533,77	4 173 729,70
6	139236	CPT	6508/7648/000	1 250 752,56	1 543 093,46	- 292 340,90
7	140165	CPT	6508/7694/000	4 215 911,71	- 149 553,43	4 365 465,14
8	139460	CPT	6502/6031/000	7 719 320,01	- 313 413,34	8 032 733,35
9	138504	CPT	6508/7614/000	8 759 562,78	66 978,16	8 692 584,62
10	139826	DBN	6310/1234/000	332 426,91	332 420,59	6,32
11	140180	DBN	6310/1240/000	1 999 105,13	55 602,86	1 943 502,27
12	140152	DBN	6301/4470/000	6 582 733,09	6 582 799,91	- 66,82
13	139408	DBN	6307/1175/000	35 504 780,58	35 504 803,84	- 23,26
14	138488	MTH	6458/5372/000	18 351 559,06	- 2 786 367,40	21 137 926,46
15	140330	NEL	6024/0955/000	1 333 176,84	23 908,76	1 309 268,08
16	139822	NEL	6024/0852/000	29 153 494,48	16 864 701,67	12 288 792,81
17	140359	PTA	6029/6961/000	2 174 638,02	- 113 078,33	2 287 716,35
18	139488	PTA	6029/1637/000	10 230 404,36	2 746 249,54	7 484 154,82
19	139360	PTA	6029/6752/000	12 229 325,95	2 019 392,84	10 209 933,11

No.	Archibus Asset	Region	Property Reference	File	Accrual as per Schedule	Recalculated amount	Difference
20	138823	PTA	6029/0319/000		15 221 431,23	15 227 468,15	- 6 036,92
21	140012	PTA	6029/0216/002		17 771 903,08	516 232,51	17 255 670,57
22	139333	PTA	6029/7044/000		25 379 431,53	52 595 041,01	- 27 215 609,48
23	139901	PTA	6029/6895/000		25 728 178,43	- 22 476 092,09	48 204 270,52
24	140105	PTA	6029/6593/001		13 425 919,10	13 425 713,65	205,45
25	139180	PTA	6029/6696/000		59 654 211,73	59 447 361,05	206 850,68
<b>Total</b>							<b>120 075 950,45</b>

**PMTE HO COFF 31- Overpayments made to the supplier on the lease contract – SKG lease code 140105**

**Requirements:**

Section 38 (1) (b) of the Public Finance Management Act (PFMA) states that “*The accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*”

Section 38 (1) (c) of the PFMA states that: “*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to -*

- (i) collect all money due to the department, trading entity or constitutional institution;*
- (ii) prevent unauthorised, irregular, fruitless, and wasteful expenditure and losses resulting from criminal conduct; and*
- (iii) manage available working capital efficiently and economically;*”

Treasury Regulation 8.1.1 state that “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported.*”

## Nature

The Department of Public Works and Infrastructure (DPWI) entered into a lease agreement with Vukile Property Fund on behalf of the South African Police Service (SAPS) on 01 December 2013. The lease period was initially intended for five (5) years and continued on month-to-month basis upon expiry date (30 November 2018) for a further six (6) months up to 31 May 2019. This was in line with clause 4.3 of the said contract as no written notice was given to the landlord and as such, it continued on a month-to-month basis in line with the lease contract.

A renewal contract was entered into on 01 June 2019 for a period of three (3) years, with a termination date of 31 May 2022.

*Table A*

Event No.	The following are key details on the lease agreement
1	<p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - 5729 m<sup>2</sup> office space, 29 m<sup>2</sup> storeroom and 143 parking bays</li> <li>• Description - Suncardia Shopping Centre</li> <li>• Lease period - Five (5) years</li> <li>• Commencement date - 01 December 2013</li> <li>• Contract end date - 30 November 2018</li> <li>• Commencement rental amount - R 579 120,42 per month,</li> <li>• Escalation rate - 8% annual escalation</li> <li>• Archibus no. - 140105</li> </ul>
2	<p>Clause 4.3 of the lease contract states that "<i>The lessee shall give written notice to the lessor of its intention to exercise the option to renew this agreement (referred to in clause 4.2 above) by no later than 3 months prior to the expiry of the initial lease period. Should the lessee fail to so exercise the option, this agreement shall continue on a month to month basis until such time as either of the parties gives the other a written notice terminating this agreement, in which event, this agreement at the end of the month following the month in which the notice was given.</i>"</p>
3	<p>Clause 5.2 of the lease contract states that "<i>The lease commences with the commencement rental. Thereafter the rental shall escalate each year, on each anniversary date of the lease, in accordance with the compounded escalation rate set out in item 9 on Schedule A.</i>"</p>
4	<p>Clause 5.3 of the lease contract states that "<i>The rental shall be paid by the lessee to the lessor, monthly in advance on or before the 7<sup>th</sup> (seventh) day of each and every month.</i>"</p>
5	<p><b>On 31st of March 2019</b> the entity renewed the contract for a further period of three (3) years with the landlord</p> <p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises 5729 m<sup>2</sup> office space, 29 m<sup>2</sup> storeroom and 143 parking bays</li> <li>• Lease period - Three (3) years</li> <li>• Commencement date - 01 June 2019</li> <li>• Contract end date - 31 May 2022</li> <li>• Commencement rental amount - R 819 215,15 per month,</li> <li>• Escalation rate - 6% annual escalation</li> </ul>

Event No.	The following are key details on the lease agreement
	<p>The contract was active for 5 years from December 2013 to November 2018. The contract was then renewed on a month-to-month basis for 6 months from December 2018 to May 2019. The last monthly rental amount was R858 382.08</p> <pre> graph LR     A[Inception of contract 01 Dec 2013] --&gt; B[End of contract 01 Nov 2018]     B --&gt; C[Month-to-Month 6 Months (31st May 2019)]     C --&gt; D[Inception of new contract 01 Jun 2019 to 31st May 2022]     style C fill:#f0f0f0     style D fill:#f0f0f0     </pre> <p>The new contract was negotiated and effected on the 1<sup>st</sup> of June 2019 till 31<sup>st</sup> May 2022. The renegotiated monthly lease rental was R819 215.15</p>

### **Issue 1 – Overpayment from inception of the contract to May 2019**

During the audit of leases, we noted that the entity made duplicate payments for the month of March and April 2018. This resulted in an overpayment of R1 575 773.77. We further noted that this overpayment was reduced by an underpayment of R63 583, 86 that occurred on December 2018.**Error!**

**Not a valid link.** The duplicate payments are an indication that the accounting officer did not implement adequate internal procedures and internal control measures for the approval and processing of payments. These controls would have provided reasonable assurance that additional payments for the month of March and April were not necessary, and thus prevented duplicate payments. Below is a summary of the duplicate payments:

*Table B*

No	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Feb-18	Not Paid	N/A	Payment was made in March	787 886,94	-	787 886,94
2	Mar-18	2018/03/05	ZINTP1803S1001000587	RENTAL FOR FEB2018 AND MARCH2018 SUNCARDIA BUILDING	787 886,94	1 575 773,86	(1 575 773,85)
		2018/02/23	ZINTP1802S1001004423	RENT (ADV) from 01-03-2018 to 31-03-2018		787 886,93	
3	Apr-18	2018/03/22	ZINTP1803S1001004543	RENT (ADV) from 01-04-2018 to 30-04-2018	794 798,23	794 798,22	(787 886,92)
		2018/04/09	ZINTP1804S1001000407	RENTAL PAYMENT FOR APRIL 2018 6029/6593/1		787 886,93	
4	Dec-18	2018/12/03	ZINTP1812S1001000925	RENTAL PAYMENT FOR DECEMBER 2018 6029/6593/1	858 382,08	794 798,22	63 583,86
<b>Total</b>							<b>(1 512 189,98)</b>

## **Issue 2 – Overpayment from 01 June 2019 to 31 March 2021**

During the period under review, we noted that management had entered into a renewed lease agreement with the landlord (SKG). The renewed lease agreement was effective from 01 June 2019 and valid for a period of three (3) years. We further noted that the contract was at a reduced rental amount and escalation rate.

However, during our inspection of the payment advice, we noted that management had not captured the renewed lease on Archibus (leasing system) and therefore the landlord was still being paid based on the expired lease agreement.

The expired lease agreement has a higher rental amount than the renewed lease agreement and therefore the entity was paying more than what they are obligated to pay for the period 01 June 2019 to 31 March 2021. This resulted in an overpayment of **R1 879 964,13**, please see illustration below;

*Table C*

No.	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Jun-19	2019/06/05	ZINTP1906S1001001505	RENTAL FOR JUNE 2019 6029/6593/1	819 215,15	858 382,07	(39 166,92)
2	Jul-19	2019/07/01	ZINTP1907S1001001181	RENTAL PAYMENT FOR JULY 2019 6029/6593/1	819 215,15	858 382,07	(39 166,92)
3	Aug-19	2019/08/01	ZINTP1908S1001001240	RENTAL PAYMENT FOR AUGUST 2019 6029/6593/1	819 215,15	858 382,07	(39 166,92)
4	Sep-19	2019/10/22	ZINTP1910S1001002167	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	972 419,99	(153 204,84)
5	Oct-19	2019/10/22	ZINTP1910S1001002167	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	858 416,32	(39 201,17)
6	Nov-19	2019/11/07	ZINTP1911S1001001460	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	858 416,32	(39 201,17)
7	Dec-19	2019/12/05	ZINTP1912S1001001192	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
8	Jan-20	2020/01/08	ZINTP2001S1001001480	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
9	Feb-20	2020/02/07	ZINTP2002S1001001300	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
10	Mar-20	2020/03/06	ZINTP2003S1001001660	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
11	Apr-20	2020/04/07	ZINTP2004S1001001334	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
12	May-20	2020/05/07	ZINTP2005S1001001197	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	819 215,15	927 081,44	(107 866,29)
13	Jun-20	2020/06/05	ZINTP2006S1001001858	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)
14	Jul-20	2020/07/06	ZINTP2007S1001001360	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)
15	Aug-20	2020/08/06	ZINTP2008S1001001226	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)

No.	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
16	Sep-20	2020/09/07	ZINTP2009S1001001518	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)
17	Oct-20	2020/10/08	ZINTP2010S1001001278	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)
18	Nov-20	2020/11/05	ZINTP2011S1001001221	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	927 081,44	(58 713,38)
19	Dec-20	2020/12/07	ZINTP2012S1001001396	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	1 001 212,60	(132 844,54)
20	Jan-21	2021/01/07	ZINTP2101S1001001223	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	1 001 212,60	(132 844,54)
21	Feb-21	2021/02/05	ZINTP2102S1001001370	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	1 001 212,60	(132 844,54)
22	Mar-21	2021/03/05	ZINTP2103S1001001391	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS	868 368,06	1 001 212,60	(132 844,54)
<b>Total</b>							<b>(1 879 964,13)</b>

### **Issue 03 – Overpayment post year end**

We note that management attempted to address the issue above:

#### **Reversal of the expired lease agreement**

In March 2021, management realized that the renewed lease contract had not been captured on Archibus and therefore, the landlord was still being paid based on the expired lease agreement.

In an attempt to correct this error, management reversed all payments made from 01 September 2019 to 28 February 2021, this was to capture the correct lease payments on Archibus as per the new lease agreement that commenced on 1 June 2019. The reversal was done through the processing of batch payment number 273 for a total amount of -R 16 703 864.04 (Refer to Annexure D).

We noted through inspection of remittance advices from March 2021 up to June 2021 that the reversal did not interface with SAGE (payment system).

Therefore, in effect the money was not recovered from the landlord.

#### **Capturing of the renewed lease agreement**

In May 2021, management then captured the renewed lease contract on the Archibus system.

Through inspection of the May 2021 remittance advice, payment reference number ZINTP2105S1001006209, we noted the following -

The system effected the correct lease payments based on the renewed lease contract for April and May 2021 amounting to R 868 368 respectively.

Due to the reversal processed on Archibus, the system picked up that the new lease was effective from 01 June 2019 however; no payments have been made for the period 01 September 2019 to 31 March 2021. The Archibus system then instructed SAGE to make payments for the period 01 September 2019 to 31 March 2021. (*Note: the Archibus system went live on 01 September 2019 and therefore the reversal was from 01 September 2019 to 28 February 2021*).

However, due to the failed recovery above, the system was in effect paying rental for months that have already been paid for and thus this resulted in an overpayment of R 16 056 616.95.

We have attached the May 21 remittance advice for ease of reference.

No	Region	Invoice No.	Lease	Period	Service	Amount
1	PTA	ZALSC2105S1011059639	13862	201909-201909	Buildings:Rentals	711 541,80
2	PTA	ZALSC2105S1011059640	13862	201909-201909	Buildings:Rentals	1 767,55
3	PTA	ZALSC2105S1011059659	13862	201909-201909	Buildings:Rentals	105 905,80
4	PTA	ZALSC2105S1011059641	13862	201910-201910	Buildings:Rentals	711 541,80
5	PTA	ZALSC2105S1011059642	13862	201910-201910	Buildings:Rentals	1 767,55
6	PTA	ZALSC2105S1011059660	13862	201910-201910	Buildings:Rentals	105 905,80
7	PTA	ZALSC2105S1011059643	13862	201911-201911	Buildings:Rentals	711 541,80
8	PTA	ZALSC2105S1011059644	13862	201911-201911	Buildings:Rentals	1 767,55
9	PTA	ZALSC2105S1011059661	13862	201911-201911	Buildings:Rentals	105 905,80
10	PTA	ZALSC2105S1011059645	13862	201912-201912	Buildings:Rentals	711 541,80
11	PTA	ZALSC2105S1011059646	13862	201912-201912	Buildings:Rentals	1 767,55
12	PTA	ZALSC2105S1011059662	13862	201912-201912	Buildings:Rentals	105 905,80
13	PTA	ZALSC2105S1011059647	13862	202001-202001	Buildings:Rentals	711 541,80
14	PTA	ZALSC2105S1011059648	13862	202001-202001	Buildings:Rentals	1 767,55
15	PTA	ZALSC2105S1011059663	13862	202001-202001	Buildings:Rentals	105 905,80
16	PTA	ZALSC2105S1011059649	13862	202002-202002	Buildings:Rentals	711 541,80
17	PTA	ZALSC2105S1011059650	13862	202002-202002	Buildings:Rentals	1 767,55
18	PTA	ZALSC2105S1011059664	13862	202002-202002	Buildings:Rentals	105 905,80
19	PTA	ZALSC2105S1011059601	13862	202003-202003	Buildings:Rentals	1 767,55
20	PTA	ZALSC2105S1011059651	13862	202003-202003	Buildings:Rentals	711 541,80
21	PTA	ZALSC2105S1011059665	13862	202003-202003	Buildings:Rentals	105 905,80
22	PTA	ZALSC2105S1011059602	13862	202004-202004	Buildings:Rentals	1 767,55
23	PTA	ZALSC2105S1011059666	13862	202004-202004	Buildings:Rentals	105 905,80
24	PTA	ZALSC2105S1011059667	13862	202004-202004	Buildings:Rentals	711 541,80
25	PTA	ZALSC2105S1011059603	13862	202005-202005	Buildings:Rentals	1 767,55
26	PTA	ZALSC2105S1011059668	13862	202005-202005	Buildings:Rentals	711 541,80
27	PTA	ZALSC2105S1011059669	13862	202005-202005	Buildings:Rentals	105 905,80
28	PTA	ZALSC2105S1011059604	13862	202006-202006	Buildings:Rentals	1 873,60
29	PTA	ZALSC2105S1011059670	13862	202006-202006	Buildings:Rentals	754 234,31
30	PTA	ZALSC2105S1011059671	13862	202006-202006	Buildings:Rentals	112 260,15
31	PTA	ZALSC2105S1011059575	13862	202007-202007	Buildings:Rentals	1 873,60
32	PTA	ZALSC2105S1011059672	13862	202007-202007	Buildings:Rentals	754 234,31
33	PTA	ZALSC2105S1011059673	13862	202007-202007	Buildings:Rentals	112 260,15
34	PTA	ZALSC2105S1011059576	13862	202008-202008	Buildings:Rentals	1 873,60
35	PTA	ZALSC2105S1011059674	13862	202008-202008	Buildings:Rentals	754 234,31
36	PTA	ZALSC2105S1011059675	13862	202008-202008	Buildings:Rentals	112 260,15
37	PTA	ZALSC2105S1011059577	13862	202009-202009	Buildings:Rentals	1 873,60
38	PTA	ZALSC2105S1011059676	13862	202009-202009	Buildings:Rentals	754 234,31
39	PTA	ZALSC2105S1011059677	13862	202009-202009	Buildings:Rentals	112 260,15
40	PTA	ZALSC2105S1011059578	13862	202010-202010	Buildings:Rentals	1 873,60
41	PTA	ZALSC2105S1011059678	13862	202010-202010	Buildings:Rentals	754 234,31
42	PTA	ZALSC2105S1011059679	13862	202010-202010	Buildings:Rentals	112 260,15
43	PTA	ZALSC2105S1011059579	13862	202011-202011	Buildings:Rentals	1 873,60
44	PTA	ZALSC2105S1011059680	13862	202011-202011	Buildings:Rentals	754 234,31
45	PTA	ZALSC2105S1011059681	13862	202011-202011	Buildings:Rentals	112 260,15
46	PTA	ZALSC2105S1011059580	13862	202012-202012	Buildings:Rentals	1 873,60
47	PTA	ZALSC2105S1011059682	13862	202012-202012	Buildings:Rentals	754 234,31

48	PTA	ZALSC2105S1011059683	13862	202012-202012	Buildings:Rentals	112 260,15
49	PTA	ZALSC2105S1011059684	13862	202101-202101	Buildings:Rentals	754 234,31
50	PTA	ZALSC2105S1011059685	13862	202101-202101	Buildings:Rentals	1 873,60
51	PTA	ZALSC2105S1011059694	13862	202101-202101	Buildings:Rentals	112 260,15
52	PTA	ZALSC2105S1011059686	13862	202102-202102	Buildings:Rentals	754 234,31
53	PTA	ZALSC2105S1011059687	13862	202102-202102	Buildings:Rentals	1 873,60
54	PTA	ZALSC2105S1011059695	13862	202102-202102	Buildings:Rentals	112 260,15
55	PTA	ZALSC2105S1011059688	13862	202103-202103	Buildings:Rentals	754 234,31
56	PTA	ZALSC2105S1011059689	13862	202103-202103	Buildings:Rentals	1 873,60
57	PTA	ZALSC2105S1011059696	13862	202103-202103	Buildings:Rentals	112 260,15
<b>Total</b>						<b>16 056 616,95</b>

## Impact

- Non – compliance with Treasury Regulation paragraph 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.
- Non – compliance with Section 38(1) (c) (i) of the PFMA as management steps to recover overpayments made were not taken effective.
- Overpayment of R 19 448 771.02(accumulation of issue 1,2 and 3);

## Internal control deficiency

### *Financial and performance management*

Internal procedures and internal control measures in place for the approval and processing of payments were not adequate, or were not implemented as a result overpayments were made.

Management did not implement controls over reconciling payments made to suppliers by the system on a monthly basis and monthly lease payments as per lease agreement.

Lack of co-operation between Real Estate Management Services (REMS) and finance department resulted in renewed lease contracts by REMS not being forwarded to finance for capturing on Archibus.

Furthermore, this indicates that management does not have adequate controls to ensure that all expired leases are terminated on Archibus and re-negotiated leases are uploaded.

Archibus leasing system does not adequately interface with SAGE, therefore adjustments of lease contracts that are done on Archibus was incorrectly executed by SAGE.

## Recommendation

It is recommended that:

- Management should enhance lease payment processes through the implementation of ARCHIBUS to ensure only the rental due as per the lease contract is paid and no system override occur. These enhancements should include effective controls to ensure accurate lease data is captured on Archibus.
- Management should review the automated controls on Archibus to identify all weaknesses embedded on the programmed controls and ensure that controls are enhanced such that the system does not permit for duplicate payments to be made to the same service provider relating to the same building.

- Management should stop making overpayments to suppliers. Furthermore, management should recover all overpayments already made to landlords and consequence management should be taken for the responsible officials.
- Management should perform regular reconciliations for lease payments in order to identify overpayments timely and respond effectively.

### **Management response**

I am in agreement for the following reasons:

Issue 1; DPWI looked at the PMIS reconciliation and noted that one automated payment and one manual payment were made for March 2018 and also for one automated and one manual payments were made for April 2018. At times PIMS will advise that payment did go through but the landlord will contact DPWI claiming the opposite. DPWI will normally do manual payment and it leads to double payments. Nevertheless, risky as it is, as long as we had existing contracts or any other lease with that landlord, we can always offset.

Issue 2; DPWI only captured the renewed Lease Agreement in March 2021. The reason being that SKG Africa was disputing the leases indicating that they do not acknowledge them, or they had put in handwriting clauses not agreeable to REMS. REMS consulted legal services and after considerable period legal advice was that the issues in question are minor and may not break the deal. It is only then that REMS proceed with the contract and considering the savings to be realized. That is when SKG leases got captured from the date of signature after consultation with DPWI Legal services.

Issue 3; In an attempt to recover the overpayment subsequent to effecting the new lease on Archibus the cost adjustments were captured and verified by the Regional Office and approved by Head office. However, due to system glitch the credit notes were not effected. ICT and system administrators identified the system glitch and have since been working to resolve the problem.

### **Auditor's conclusion**

Management's response is noted. The finding will remain for the following reasons:

Issue 1 –

Management agrees to the finding, and the overpayment has not been recovered to date. Therefore, from commencement of the lease up to May 2019 an overpayment of R1 575 773.77 has been confirmed due to duplicate payments

Issue 2 –

Management agrees to the finding, and the overpayment has not been recovered to date. Therefore, from May 2019 up to year-end (31 March 2021) an overpayment of R1 879 964, has been confirmed due to the delay in capturing the renewed lease on the system.

Issue 3 –

Upon further audit work performed through the inspection of the status of payments on SAGE we noted that the May 2021 remittance advice, payment reference number ZINTP2105S1001006209 was not approved for payment. Therefore, issue number 3 for an overpayment of R 16 056 616.95 is resolved.

We wish caution management to enhance their processes around the recovery of overpayments by capturing leases as negative rentals of Archibus. This is because these reversals may result in unintended overpayments made to the landlords due to technical "glitches" on the system.

**PMTE HO COFF 36 - Overpayments made to the supplier on the lease contract – TULBAGH  
PARK139816**

**Requirements:**

Section 38 (1) (b) of the Public Finance Management Act (PFMA) states that “*The accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*”

Section 38 (1) (c) of the PFMA states that: “*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to -*

- (i) collect all money due to the department, trading entity or constitutional institution;*
- (ii) prevent unauthorised, irregular, fruitless, and wasteful expenditure and losses resulting from criminal conduct; and*
- (iii) manage available working capital efficiently and economically;”*

Treasury Regulation 8.1.1 state that “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported.*”

## Nature

The Department of Public Works and Infrastructure (DPWI) entered into a lease agreement with Four Rivers Trading 422 (Pty) Ltd on behalf of the South African Police Service (SAPS) on 01 February 2010. The lease period was initially intended for nine (9) years and eleven (11) months and was to expire on 30 December 2019. A new contract was negotiated and set to begin on 01 June 2019 for a period of three (3) years and is expected to expire on 31 May 2022. Due to the renegotiated lease commencing 01 June 2019, the original lease was terminated seven months prior to the original expiry date on 31 May 2019.

*Table A*

Event No.	The following are key details on the lease agreement
1	<p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - 17747 m<sup>2</sup> office space, 761 parking bays</li> <li>• Description - Tulbagh Park Building</li> <li>• Lease period - Nine (9) years and Eleven (11) months</li> <li>• Commencement date - 01 February 2010</li> <li>• Contract end date - 30 December 2019</li> <li>• Commencement rental amount - R 2 242 965.72 per month,</li> <li>• Escalation rate - 8% annual escalation</li> <li>• Archibus no. - 139816</li> </ul>
2	<p>Clause 5.3 of the lease contract states that “<i>At least six months prior to the lease expiry period the lessee shall notify the lessor in writing of its intention to exercise the right to renew and the lease renewal period. Should the parties fail to reach an agreement on the terms and conditions of the new lease, the original lease will be terminated at the normal expiry period.</i>”</p>
3	<p>Clause 5.5 of the lease contract states that “<i>The rental shall be paid by the lessee to the lessor, monthly in advance on or before the 7<sup>th</sup> (seventh) day of each and every month.</i>”</p>
4	<p>Clause 6.2 of the lease contract states that “<i>The lease commences with the commencement rental. Thereafter the rental shall escalate with the compound escalation rate of 8% on each adjustment date.</i>”</p>
5	<p><b>On 01 June 2019</b> the entity effected the renegotiated lease contract for a further period of three (3) years with the landlord.</p> <p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises 17747 m<sup>2</sup> office space, 761 parking bays</li> <li>• Lease period - Three (3) years</li> <li>• Commencement date - 01 June 2019</li> <li>• Contract end date - 31 May 2022</li> <li>• Commencement rental amount - R 4 306 362.45 per month,</li> <li>• Escalation rate - 6% annual escalation</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>The contract was active for 9 years and 11 months from February 2010 to December 2019. The contract was terminated Due to the renegotiated lease, the original lease was terminated on the 31st of May 2019. The last monthly rental amount was R 4 523 029.54</p> </div> <p>Inception of contract 01 Feb 2010</p> <p>Early termination date 31 May 2019</p> <p>Original termination date 31 Dec 2019</p> <p>Inception of new contract 01 Jun 2019 to 31<sup>st</sup> May 2022</p> <p>The new contract was negotiated and effected on the 1<sup>st</sup> of June 2019 till 31<sup>st</sup> May 2022. The renegotiated monthly lease rental was R4 306 362.45</p>

### **Issue 1 – Overpayment from inception of the contract expiry in May 2019**

During the audit of leases, we noted that the entity made duplicate payments for the month of January 2016 and May 2016. This resulted in an overpayment of R263 652.20 and R4 299 341.76 respectively. We further noted that this overpayment was reduced by a total underpayment of R 680 756.71 that occurred between February 2015 and April 2018 as shown in table B.[Error! Not a valid link.](#)The duplicate payments are an indication that the accounting officer did not implement adequate internal procedures and internal control measures for the approval and processing of payments. These controls would have provided reasonable assurance that additional payments for the month of January 2016 and May 2016 were not necessary, and thus prevented duplicate payments. Below is a summary of the duplicate payments:

*Table B*

No	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Feb-15	2015/01/27	007*58010*1	RENT (ADV) from 01-02-2015 to 28-02-2015	R3 295 652.51	R3 266 360.98	R29 291.53
2	Jan-16	2015/12/21	007*9194*151218	RENTAL PAYMENT FOR JANAUARY 2016 TULBAGH PARK 6029/6344/1	R3 295 652.51	R3 559 304.71	(R 263 652.20)
3	May-16	2016/04/25	007*63115*1	RENT (ADV) from 01-05-2016 to 31-05-2016	R3 559 304.71	R7 858 646.47	(R4 299 341.76)
		2016/06/01	007*9438*160519	RENTAL PAYMENTS FOR MAY 2016 TULBAGH PARK BUILDING 6029/6344/1			
4	Feb-18	2018/01/25	007*8413*180119	RENTAL FOR FEB 2018 TULBAGH PARK BUILDNING 6029/6344/1	R4 151 573.01	R3 844 049.07	R307 523.94
5	Apr-18	2018/03/26	007*8772*180323	RENTAL FOR APRIL2018 TULBAGH PARK	R4 187 990.32	R3 844 049.08	R343 941.24
<b>Total</b>							<b>(R3 882 237.26)</b>

## **Issue 2 – Overpayment from 01 June 2019 to 31 March 2021**

During the period under review, we noted that management had entered into a renewed lease agreement with the landlord (SKG Africa (Pt) Ltd). The renewed lease agreement was effective from 01 June 2019 and valid for a period of three (3) years. We further noted that the contract was at a reduced rental amount of R4 306 362.45 and a reduced escalation rate of 6% p.a.

However, during our inspection of the payment advice, we noted that management had not captured the renewed lease on Archibus (leasing system) and therefore the landlord was still being paid based on the expired lease agreement.

The expired lease agreement has a higher rental amount than the renewed lease agreement and therefore the entity was paying an amount that is more than what the entity is obligated to pay for the period 01 June 2019 to 31 March 2021. This resulted in an overpayment of (**R7 316 367.15**), please see illustration below;

No.	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Jun-19	2019/06/03	007*1286*190522	RENTAL PAYMENT FOR JUNE 2019 6029/6344/1	R4 306 362.45	R4 523 029.55	(R216 667.10)
2	Jul-19	2019/07/01	007*1365*190614	RENTAL PAYMENT FOR JULY 2019 6029/6344/1	R4 306 362.45	R4 523 029.55	(R216 667.10)
3	Aug-19	2019/08/01	007*1670*190728	RENTA PAAYMENT FOR AUGUST 2019 6029/6344/1	R4 306 362.45	R4 523 029.55	(R216 667.10)
4	Sep-19	2019/09/10	ZINTP1909S1001001474	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 523 029.54	(R216 667.09)
5	Oct-19	2019/10/11	ZINTP1910S1001001584	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 523 029.54	(R216 667.09)
6	Nov-19	2019/11/07	ZINTP1911S1001000795	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 523 029.54	(R216 667.09)
7	Dec-19	2019/12/05	ZINTP1912S1001000573	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 523 029.54	(R216 667.09)
8	Jan-20	2020/01/30	ZINTP2001S1001003616	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 522 908.25	(R216 545.80)
9	Feb-20	2020/02/07	ZINTP2002S1001000648	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 884 675.96	(R578 313.51)
10	Mar-20	2020/03/06	ZINTP2003S1001001395	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 884 675.96	(R578 313.51)
11	Apr-20	2020/04/15	ZINTP2004S1001001539	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 884 675.96	(R578 313.51)
12	May-20	2020/05/07	ZINTP2005S1001000569	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 306 362.45	R4 884 675.96	(R578 313.51)
13	Jun-20	2020/06/05	ZINTP2006S1001001178	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)

No.	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
14	Jul-20	2020/07/06	ZINTP2007S1001000714	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
15	Aug-20	2020/08/06	ZINTP2008S1001000597	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
16	Sep-20	2020/09/07	ZINTP2009S1001001251	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
17	Oct-20	2020/10/08	ZINTP2010S1001000629	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
18	Nov-20	2020/11/05	ZINTP2011S1001000588	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
19	Dec-20	2020/12/07	ZINTP2012S1001000746	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
20	Jan-21	2021/01/07	ZINTP2101S1001000601	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R4 884 675.96	(R319 931.76)
21	Feb-21	2021/02/05	ZINTP2003S1001001395	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R5 275 187.74	(R710 443.54)
22	Mar-21	Paid in May	Paid in May	OFFICE RENTAL, COVERED PARKING and OPERATING COSTS M TO M	R4 564 744.20	R 4 564 744.20	R4 564 744.20
<b>Total</b>							<b>(R7 316 367.15)</b>

### **Issue 03 – Overpayment post year end**

We note that management attempted to address the issue above:

#### **Reversal of the expired lease agreement**

In March 2021, management realized that the renewed lease contract had not been captured on Archibus and therefore, the landlord was still being paid based on the expired lease agreement.

In an attempt to correct this error, management reversed all payments made from 01 September 2019 to 28 February 2021, this was to capture the correct lease payments on Archibus as per the new lease agreement that commenced on 1 June 2019. The reversal was done through the processing of batch payment number 273 for a total amount of -R -86 506 325.67 (Refer to Annexure D).

We noted through inspection of remittance advices from March 2021 up to June 2021 that the reversal did not interface with SAGE (payment system).

Therefore, in effect the money was not recovered from the landlord.

#### **Capturing of the renewed lease agreement**

In May 2021, management then captured the renewed lease contract on the Archibus system. Through inspection of the May 2021 remittance advice, payment reference number ZINTP2105S1001006209, we noted the following -

The system effected the correct lease payments based on the renewed lease contract for March, April and May 2021 amounting to R 4 564 744.20 respectively.

Due to the reversal processed on Archibus, the system picked up that the new lease was effective from 01 June 2019 however; no payments have been made for the period 01 September 2019 to 31 May 2021. The Archibus system then instructed SAGE to make payments for the period 01 September 2019 to 31 May 2021. (*Note: the Archibus system went live on 01 September 2019 and therefore the reversal was from 01 September 2019 to 28 February 2021*).

However, due to the failed recovery above, the system was in effect paying rental for months that have already been paid for and thus this resulted in an overpayment of R 79 839 959.85.

We have attached the May 21 remittance advice for ease of reference.

No	Region	Invoice No.	Lease	Period	Service	Amount
1	PTA	ZALSC2105S1011058929	13858	201909-201909	Buildings:Rentals	R632 733.45
2	PTA	ZALSC2105S1011058936	13858	201909-201909	Buildings:Rentals	R3 673 629.00
3	PTA	ZALSC2105S1011058937	13858	201910-201910	Buildings:Rentals	R632 733.45
4	PTA	ZALSC2105S1011058946	13858	201910-201910	Buildings:Rentals	R3 673 629.00
5	PTA	ZALSC2105S1011058947	13858	201911-201911	Buildings:Rentals	R3 673 629.00
6	PTA	ZALSC2105S1011058962	13858	201911-201911	Buildings:Rentals	R632 733.45
7	PTA	ZALSC2105S1011058938	13858	201912-201912	Buildings:Rentals	R3 673 629.00
8	PTA	ZALSC2105S1011058948	13858	201912-201912	Buildings:Rentals	R632 733.45
9	PTA	ZALSC2105S1011058939	13858	202001-202001	Buildings:Rentals	R632 733.45
10	PTA	ZALSC2105S1011058963	13858	202001-202001	Buildings:Rentals	R3 673 629.00
11	PTA	ZALSC2105S1011058949	13858	202002-202002	Buildings:Rentals	R3 673 629.00
12	PTA	ZALSC2105S1011058964	13858	202002-202002	Buildings:Rentals	R632 733.45
13	PTA	ZALSC2105S1011058940	13858	202003-202003	Buildings:Rentals	R3 673 629.00
14	PTA	ZALSC2105S1011058950	13858	202003-202003	Buildings:Rentals	R632 733.45
15	PTA	ZALSC2105S1011058965	13858	202004-202004	Buildings:Rentals	R3 673 629.00
16	PTA	ZALSC2105S1011059146	13858	202004-202004	Buildings:Rentals	R632 733.45
17	PTA	ZALSC2105S1011058941	13858	202005-202005	Buildings:Rentals	R3 673 629.00
18	PTA	ZALSC2105S1011058951	13858	202005-202005	Buildings:Rentals	R632 733.45
19	PTA	ZALSC2105S1011058966	13858	202006-202006	Buildings:Rentals	R670 697.46
20	PTA	ZALSC2105S1011059156	13858	202006-202006	Buildings:Rentals	R3 894 046.74
21	PTA	ZALSC2105S1011058942	13858	202007-202007	Buildings:Rentals	R3 894 046.74
22	PTA	ZALSC2105S1011058952	13858	202007-202007	Buildings:Rentals	R670 697.46
23	PTA	ZALSC2105S1011058943	13858	202008-202008	Buildings:Rentals	R670 697.46
24	PTA	ZALSC2105S1011058967	13858	202008-202008	Buildings:Rentals	R3 894 046.74
25	PTA	ZALSC2105S1011058953	13858	202009-202009	Buildings:Rentals	R3 894 046.74
26	PTA	ZALSC2105S1011058968	13858	202009-202009	Buildings:Rentals	R670 697.46
27	PTA	ZALSC2105S1011058944	13858	202010-202010	Buildings:Rentals	R3 894 046.74
28	PTA	ZALSC2105S1011058954	13858	202010-202010	Buildings:Rentals	R670 697.46
29	PTA	ZALSC2105S1011058945	13858	202011-202011	Buildings:Rentals	R670 697.46
30	PTA	ZALSC2105S1011058969	13858	202011-202011	Buildings:Rentals	R3 894 046.74
31	PTA	ZALSC2105S1011058955	13858	202012-202012	Buildings:Rentals	R3 894 046.74
32	PTA	ZALSC2105S1011058970	13858	202012-202012	Buildings:Rentals	R670 697.46
33	PTA	ZALSC2105S1011058956	13858	202101-202101	Buildings:Rentals	R3 894 046.74
34	PTA	ZALSC2105S1011058957	13858	202101-202101	Buildings:Rentals	R670 697.46
35	PTA	ZALSC2105S1011058971	13858	202102-202102	Buildings:Rentals	R3 894 046.74
36	PTA	ZALSC2105S1011059170	13858	202102-202102	Buildings:Rentals	R670 697.46
<b>Total</b>						<b>R79 839 959.85</b>

## **Impact**

- Non – compliance with Treasury Regulation paragraph 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.
- Non – compliance with Section 38(1) (c) (i) of the PFMA as management steps to recover overpayments made were not taken effective.
- Overpayment of **R 91 038 564.26 (accumulation of issue 1, 2 and 3);**

## **Internal control deficiency**

### *Financial and performance management*

Internal procedures and internal control measures in place for the approval and processing of payments were not adequate, or were not implemented as a result overpayments were made.

Management did not implement controls over reconciling payments made to suppliers by the system on a monthly basis and monthly lease payments as per lease agreement.

Lack of co-operation between Real Estate Management Services (REMS) and finance department resulted in renewed lease contracts by REMS not being forwarded to finance for capturing on Archibus.

Furthermore, this indicates that management does not have adequate controls to ensure that all expired leases are terminated on Archibus and re-negotiated leases are uploaded.

Archibus leasing system does not adequately interface with SAGE, therefore adjustments of lease contracts that are done on Archibus was incorrectly executed by SAGE.

## **Recommendation**

It is recommended that:

- Management should enhance lease payment processes through the implementation of ARCHIBUS to ensure only the rental due as per the lease contract is paid and no system override occur. These enhancements should include effective controls to ensure accurate lease data is captured on Archibus.
- Management should review the automated controls on Archibus to identify all weaknesses embedded on the programmed controls and ensure that controls are enhanced such that the system does not permit for duplicate payments to be made to the same service provider relating to the same building.
- Management should stop making overpayments to suppliers. Furthermore, management should recover all overpayments already made to landlords and consequence management should be taken for the responsible officials.
- Management should perform regular reconciliations for lease payments in order to identify overpayments timely and respond effectively.

## **Management response**

Management is in agreement for the following reasons:

Issue 1; January 2016:-

With regards to the January 2016 for duplicate payment, PMIS recon only shows one payment of R 3 559 304, 71 which is the correct payment after escalation which was due in January 2016. (See attached email from landlord confirming escalation/ occupation date).

May 2016:-

DPWI notes that two payments occurred in the month of May 2016.

Issue 2; DPWI only captured the renewed Lease Agreement in March 2021. The reason being that SKG Africa was disputing the leases indicating that they do not acknowledge them, or they had put in handwriting clauses not agreeable to REMS. REMS consulted legal services and after considerable period legal advice was that the issues in question are minor and may not break the deal. It is only then that REMS proceed with the contract and considering the savings to be realized. That is when SKG leases got captured from the date of signature after consultation with DPWI Legal services.

Issue 3; In an attempt to recover the overpayment subsequent to effecting the new lease on Archibus the cost adjustments were captured and verified by the Regional Office and approved by Head office. However, due to system glitch the credit notes were not effected. ICT and system administrators identified the system glitch and have since been working to resolve the problem.

## **Auditor's conclusion**

Issue 1 –

Management agrees to the finding, and the overpayment has not been recovered to date. Therefore, from commencement of the lease up to May 2019 an overpayment of R3 882 237 has been confirmed due to duplicate payments

Issue 2 –

Management agrees to the finding, and the overpayment has not been recovered to date. Therefore, from May 2019 up to year-end (31 March 2021) an overpayment of R 7 316 367, has been confirmed due to the delay in capturing the renewed lease on the system.

Issue 3 –

Upon further audit work performed through the inspection of the status of payments on SAGE we noted that the May 2021 remittance advice, payment reference number ZINTP2105S1001006209 was not approved for payment. Therefore, issue number 3 for an overpayment of R 86 506 325.67 is resolved.

We wish caution management to enhance their processes around the recovery of overpayments by capturing leases as negative rentals of Archibus. This is because these reversals may result in unintended overpayments made to the landlords due to technical “glitches” on the system.

## PMTE HO COFF 38- Lease accruals and prepayments balances misstated

### Requirements

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### Nature

During the audit of lease accruals for SKG(landlord),we noted differences between our re-calculated accrual balances compared to what is disclosed by management.

This resulted in the accrual lease balance not fairly presenting the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets.

Please see table below:

Lease no.	Amount per AFS	Recalculated closing balance	Difference
139816	74 597 277,77	( 6 633 860,42)	
140105	13 425 919,10	(3 392 154,06)	
140280	33 935 955,99	(11 020 283,82)	
Total accrual adjustment for SKG	121 959 152,86	(21 046 298,29)	
Less :Creditors with debit balances	<b>35 404 316,23</b>	-	
Net accrual	86 554 836,63	(21 046 298,29)	107 601 134,92

### Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Prepaid expense balance (Leases) is understated by R 21 046 298,29
- Accruals expense balance (Leases) is overstated by R 86 554 836,63

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately offset the Archibus payments that were reversed in March 2021 against the creditors with debit balances account.

### **Recommendation**

It is recommended that:

Management should review the accruals adjustment for the specific leases under SKG and adequately offset it with the creditors with debit balances in order to reflect the accurate closing balance as at year end.

**Management response:**

Management is not in agreement with the finding. As per the attached SAGE reports, the payments for property 139816 was paid to Tacora Investments (An associate company of SKG Africa). The latest renewed lease was signed with SKG Africa, hence the change on Archibus for future payments to be made to SKG. The reversal of the month to month payments already made was against Tacora, however the new lease was incorrectly captured against SKG. The renewed lease was supposed to be captured against Tacora for the system to calculate the difference between the month to month payments already made against the renewed lease to determine over/under payments. Only thereafter the landlord should have been changed to SKG for future payments to be made to SKG. The implication of the landlord change resulted in an accrual to be calculated against SKG, whereas the Creditor with debit balance was against Tacora.

**Correct disclosure**

Landlord	Accrual Adjustment (movement)	CB LEASE ACCRUAL	Creditors with debit balances	Offset	Nett accrual	Nett Creditor with Debit balance
ZPW0000008448	130 738 140.09	135 752 865.81	142 102 496.27	135 752 865.81	0.00	-6 349 630.46
ZPW0000054426	32 403 385.46	118 386 723.99	35 404 316.23	35 404 316.23	82 982 407.76	0.00

**AFS disclosure**

Landlord	Accrual Adjustment (movement)	CB LEASE ACCRUAL	Creditors with debit balances	Offset	Nett accrual	Nett Creditor with Debit balance
ZPW0000008448	49 368 782.60	61 155 588.04	142 102 496.27	61 155 588.04	0.00	-80 946 908.23
ZPW0000054426	113 772 742.95	192 984 001.76	35 404 316.23	35 404 316.23	157 579 685.53	0.00
<b>Change</b>	74 597 277.77	74 597 277.77	Include 139816 as part of Tacora		74 597 277.77	-74 597 277.77
	-74 597 277.77	-74 597 277.77	Remove 139816 from SKG Africa			
		0.00				

The impact is thus that both the lease accrual and the lease prepayments were overstated with R74 597 277.77. This is an isolated incident as this is the only property whereas the lease was renewed with a different landlord name within the same group of companies, where the reversal was captured against the old landlord, and renewal captured against a different landlord, not offsetting the amount already paid.

This was corrected after year end, however on 31 March 2021 the amounts were incorrect for financial statements.

Property 140105 was already included in COFF 23 and as such is duplicated in this finding. Property 140280 was already included in COFF 5 and as such is duplicated in this finding.

### **Auditor's conclusion**

Management's response is noted.

We agree that the two leases listed below have been audited and the respective findings raised, as such, they will not have an impact on this finding. They were added on this coff to demonstrate the impact on the landlord as a whole.

- Property 140105 was already included in COFF 23 and as such is duplicated in this finding.
- Property 140280 was already included in COFF 5 and as such is duplicated in this finding.

**Therefore, the remaining issue that we are in agreement with management's response will be that:**

Both the lease accrual and the lease prepayments were overstated with R74 597 277.77.

At this point, we are unable to accept that the matter is isolated. Therefore management should demonstrate how they confirmed that."This is an isolated incident as this is the **only property** whereas the lease was **renewed with a different landlord name** within the **same group of companies**, where the **reversal was captured against the old landlord**, and **renewal captured against a different landlord**, not offsetting the amount already paid

**Requirements:**

Section 38 (1) (b) of the Public Finance Management Act (PFMA) states that “*The accounting officer for a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;*”

Section 38 (1) (c) of the PFMA states that: “*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to -*

- (i) collect all money due to the department, trading entity or constitutional institution;*
- (ii) prevent unauthorised, irregular, fruitless, and wasteful expenditure and losses resulting from criminal conduct; and*
- (iii) manage available working capital efficiently and economically;*

Treasury Regulation 8.1.1 state that “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported.*”

## Nature

The Property Management Trading Entity (PMTE) entered into a lease agreement with JR 209 Investments (Pty) Ltd on behalf of the Department of Energy on 1 of April 2012. The lease period was initially intended for nine (9) years and eleven (11) months, with 28 February 2022 set as the expiry date. The leased building, Land Bank building comprised of 18 052.5m<sup>2</sup> office space and 765 parking bays and had a commencement rental amount of R 2 206 034.28.

Prior to the occupation of the leased premises, the parties agreed to amend the lease contract as follows: The occupation of the total space offered of 18 052.5m<sup>2</sup> and 767 parking bays as stipulated in item 3 of schedule 1 of the main lease be occupied in two phases. Phase 1 shall comprise of 12 738m<sup>2</sup> and 395 basement parking bays at R 1 528 785.8 per month. It was also recorded that the landlord commits to provide the balance of 5269.5m<sup>2</sup> and 372 parking bays as phase 2 of occupation whenever required by the tenant.

Prior to the termination of the lease contract, PMTE entered into a renegotiated contract with the landlord. The renegotiated contract commenced on 01 July 2019 for a period of two (2) years and ten (10) months with an expiry date of 30 April 2022. Table A below is an illustrative depiction of the lease contracts entered with the landlord above:

*Table A*

Event No.	The following are key details on the lease agreement
1	<p>Details as per schedule 1 of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - 18 052.5m<sup>2</sup> and 765 parking</li> <li>• Description - Land bank building</li> <li>• Lease period - 9 Years 11 months</li> <li>• Commencement date - 01 April 2012</li> <li>• Contract end date - 28 February 2022</li> <li>• Commencement rental amount - R 2 206 034.28 per month,</li> <li>• Escalation rate - 10% annual escalation.</li> <li>• Archibus number - 140049</li> </ul>
2	<p>Addendum to the lease agreement:</p> <p>Phase 1 of occupation –</p> <ul style="list-style-type: none"> <li>• Leased premises - 12 738m<sup>2</sup> and 395 basement bays</li> <li>• Commencement rental amount - R 1 528 785.80 Per month,</li> </ul> <p>Phase 2 of occupation -</p> <ul style="list-style-type: none"> <li>• Additional space - 5269.5m<sup>2</sup> and 372 parking*</li> </ul> <p><i>*It is expressly recorded that the landlord commits to provide the balance of 5269.5m<sup>2</sup> and 372 parking bays as phase 2 of occupation whenever required by the tenant."</i></p>
3	<p>Clause 6.1 of the lease contract states that "the commencement rental as indicated on the item 7 of schedule 1. Thereafter the rental shall escalate with the compounded rate of 10% on the adjustment date."</p>
4	<p>Clause 6.2.1 of the lease contract states that "The rental shall be payable from the commencement date monthly in advance, on or before the seventh day of each month into the lessors bank account. Any amount which is not paid by the lessee in terms of this lease promptly endure the date of payment."</p>
5	<p>Details as per schedule A and B of the contract</p> <ul style="list-style-type: none"> <li>• Leased premises - Office and parking Facilities</li> <li>• Lease period - 2 Years 10 Months</li> <li>• Commencement date - 01 July 2019</li> <li>• Contract end date - 30 April 2022</li> <li>• Commencement rental amount - R 2 231 164,15 per month,</li> <li>• Escalation rate - 6% annual escalation.</li> </ul>

## **Issue 1 – Rental overpayment**

During the period under review, we noted that management had entered into a renewed lease agreement with landlord. The renewed lease agreement was effective from 01 July 2019 and valid for a period of two (2) and ten (10) months. We further noted that the contract was at a reduced rental amount and escalation rate.

However, during our inspection of the payment advice, we noted that management had not captured the renewed lease on Archibus (leasing system) and therefore the landlord was still being paid based on the expired lease agreement.

The expired lease agreement has a higher rental amount than the renewed lease agreement and therefore the entity was paying more than what they are obligated to for the period 01 July 2019 to 31 March 2021. This resulted in an overpayment of R18 565 513, 60, please see illustration below.

Below is a summary of the overpayments:

*Table B*

No.	Month	Date Paid	Payment no.	Payment Reference	Amount payable as per lease contract (in Rands)	Payment Made by PMTE (in Rands)	Difference / Overpayment (in Rands)
1	Jul-19	2019/07/02	007*1372*190614	RENTAL PAYMENT FOR JULY 2019 6029/6927	R2 231 164.15	R3 776 240.79	R(1 545 076.64)
2	Aug-19	2019/08/01	007*1529*190718	RENTAL PAYMENT FOR AUGUST 2019 6029/6927	R2 231 164.15	R3 005 404.11	R(774 239.96)
3	Sep-19	2019/09/10	ZINTP1909S1001001538	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
4	Oct-19	2019/10/14	ZINTP1910S1001001911	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
5	Nov-19	2019/11/07	ZINTP1911S1001001169	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
6	Dec-19	2019/12/05	ZINTP1912S1001000922	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
7	Jan-20	2020/01/08	ZINTP2001S1001001169	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
8	Feb-20	2020/02/07	ZINTP2002S1001001021	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
9	Mar-20	2020/03/06	ZINTP2003S1001001614	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
10	Apr-20	2020/04/07	ZINTP2004S1001001043	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
11	May-20	2020/05/01	ZINTP2005S1001000928	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
12	Jun-20	2020/06/05	ZINTP2006S1001001558	OFFICE RENTAL	R2 231 164.15	R3 005 304.12	R(774 139.97)
13	Jul-20	2020/07/06	ZINTP2007S1001001073	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
14	Aug-20	2020/08/06	ZINTP2008S1001000954	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
15	Sep-20	2020/09/07	ZINTP2009S1001001390	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
16	Oct-20	2020/10/08	ZINTP2010S1001000989	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
17	Nov-20	2020/11/05	ZINTP2011S1001000948	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
18	Dec-20	2020/12/07	ZINTP2012S1001001110	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
19	Jan-21	2021/01/07	ZINTP2101S1001000958	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
20	Feb-21	2021/02/05	ZINTP2102S1001001077	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
21	Mar-21	2021/03/05	ZINTP2103S1001001102	OFFICE RENTAL	R2 365 034.00	R3 305 834.54	R(940 800.54)
Total							R 18 527 921.17)

## **Impact**

- Non – compliance with Treasury Regulation paragraph 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.
- Non – compliance with Section 38(1) (c) (i) of the PFMA as management steps to recover overpayments made were not taken effective.
- Overpayment of R 18 527 921.17)

## **Internal control deficiency**

### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations. As a result, irregular expenditure was incurred.

Internal procedures and internal control measures in place for the approval and processing of payments were not adequate, or were not implemented as a result overpayments were made.

The updated lease agreement was not captured and approved on Archibus timely, therefore the system is still operating and executing payments on an terminated lease contract.

Management did not implement controls over reconciling payments made to suppliers by the system on a monthly basis and monthly lease payments as per lease agreement.

## **Recommendation**

The management is not in agreement:

The 2 years, 10 months lease contract concluded in 1 July 2019 with ending date of 30 April 2022 overlapped with the concluded running lease contract of 9 years 11 months by 34 months. The reduced rental achieved for 34 month period of the remaining period before the lease contract expires was based on condition that there is a possible lease extension for a period 3 years at the end of the lease contract in May 2022. Allegedly the 3 years lease agreement was negotiated and signed by both parties in 2019 (**Annexure A**).

Based on the letter marked as annexure A, the landlord only agreed to reduce the rental rates because he was made to believe that the signed 3 years lease will also be considered to his advantage.

For those landlord's reasons that was communicated telephonically and later reduced to the letter mentioned above, the Regional Office could not upload the reduced rates documented on the lease in question for 2 years 10 month. The Regional Office responded to the landlord on attached letter dated 03 May 2021(**Annexure B**). The letter basically was to acknowledge the previous letter sent to the Regional Office assuring to the landlord that the alleged 3 years lease will be investigated and revert back with him.

Now that the 3 years lease in question couldn't be found, the concluded lease contract for 2 years, 10 months becomes redundant (**refer to Annexure A paragraph 4**). This resulted in the lease contract not uploaded onto the Archibus system.

## **Auditor's conclusion**

Management's response is noted.

As per supporting documents provided, it is noted that the Landlord accepted the renegotiated lease agreement of 2 years and 10 months on an understanding that the DPWI would grant them an additional 3 years. However, the 3-year extension clause did not materialize as DPWI "misplaced" the contract.

This therefore nullified the renegotiated lease agreement, as certain key conditions have not been met. Thus, the parties have resolved to revert to the original contract, as it was still valid. Based on the above, we accept that the landlord is not overpaid. The finding is resolved and misstatement relating to COFF 23 and 17 will be updated as such.

## ANNEXURE B: OTHER IMPORTANT MATTERS

### *Operating leases*

#### **PMTE HO COFF 03 Misstatement of lease commitments (Disclosure of operating Lease commitment)**

##### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

Furthermore, paragraph 44 of GRAP 1 state that “*Except when a Standard of GRAP permits or requires otherwise, comparative information shall be presented in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*”

Standard of Generally Recognised Accounting Practice (GRAP 13), paragraph 66 states that “*In addition to meeting the requirements of GRAP 104, disclose the following for operating leases:*”  
“(a) *the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;*”

## Nature

### Issue 1

During the audit of the financial statements submitted on the 31 May 2021, we noted that amounts on the annual financial statement (AFS) did not agree to the amounts on the supporting schedules submitted for operating lease commitment for both instances where PMTE is a lessee and a lessor. Differences are highlighted in the tables below:

#### PMTE as lessee

	Current year amounts		
Total minimum lease payments - PMTE as lessee	Amount per supporting schedules	Amounts per financial statements submitted for audit on 31-May 2021	Difference
Within one year	R2 828 842 183	R2 784 825 000	R44 017 183
In second to fifth year inclusive	R4 732 632 283	R4 583 311 000	R149 321 283
Later than five years	R1 259 220 186	R1 258 979 000	R241 186
<b>Total</b>	<b>R8 820 694 653</b>	<b>R8 627 115 000</b>	<b>R193 579 653</b>

#### PMTE as lessor

	Current year amounts		
Total minimum lease payments - PMTE as lessee	Amount per supporting schedules	Amount per supporting schedules	Amount per supporting schedules
Within one year	R2 737 396 624	R2 693 712 000	R43 684 624
In second to fifth year inclusive	R4 644 050 107	R4 494 754 000	R149 296 107
Later than five years	R1 259 220 186	R1 258 979 000	R241 186
<b>Total</b>	<b>R8 640 666 917</b>	<b>R8 447 445 000</b>	<b>R193 221 917</b>

Furthermore, we noted that the final amounts per the prior year audited annual financial statements does not agree to the corresponding amounts per the current year annual financial statements submitted for audit. No restatements and/or disclosures have been made as required by the applicable financial reporting framework.

#### PMTE as lessee

	Prior year comparatives		
Total minimum lease payments - PMTE as lessee	Amounts per prior year AFS (2020)	Corresponding amounts per current year financial statements (2021)	Difference
Within one year	R2 457 771 000	R2 526 158 000	(R68 387 000)
In second to fifth year inclusive	R4 963 799 000	R5 090 341 000	(R126 542 000)
Later than five years	R2 020 589 000	R2 020 589 000	R -
<b>Total</b>	<b>R9 442 159 000</b>	<b>R9 637 088 000</b>	<b>(R194 929 000)</b>

### Issue 2

We further noted that the lease commitments relating to freehold private lessees as per supporting schedule (F 701) was not disclosed on the financial statements as required by GRAP 13.

The amount per the supporting schedule are as follows –

PMTE as Lessor - (Freehold private)	Amount
Within one year	27 237 029,16
In the second to fifth year inclusive	57 381 539,30
Later than five years	27 771 005,70
Total	112 389 574,16

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA.
- Non-compliance with paragraph 17 and 44 of GRAP 01.
- Non-compliance with paragraph 66 GRAP 13.
- This resulted in the disclosure note for operating lease commitments being materially misstated.

## Internal control deficiency

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## Recommendation

It is recommended that:

- Management should make the necessary adjustments on the AFS submitted for audit in order to ensure that accurate amounts are presented on the financial statements.
- Management should review the financial statements to ensure that the amounts agree to the amounts as per the supporting schedules.

## Management response

Management is partially in agreement with the finding for the following reasons:

Relating to the comparative disclosure the minimum lease payments for PMTE as Lessor was incorrectly captured for the Lessee as well. Thus agree with the below error:

	Prior year comparatives		
Total minimum lease payments - PMTE as lessee	Amounts per prior year AFS (2020)	Corresponding amounts per current year financial statements (2021)	Difference
Within one year	R2 457 771 000	R2 526 158 000	(R68 387 000)

<i>In second to fifth year inclusive</i>	R4 963 799 000	R5 090 341 000	(R126 542 000)
<i>Later than five years</i>	R2 020 589 000	R2 020 589 000	R -
<b>Total</b>	<b>R9 442 159 000</b>	<b>R9 637 088 000</b>	<b>(R194 929 000)</b>

Regarding the current year disclosure we are also in agreement with the finding. Calculations were performed early May 2021, these were used to process journals and update the disclosure of the AFS. Updated data was extracted from Archibus on 27 May and the calculations were updated, journals were amended to be in line with the updated calculations, however the commitments in the AFS were not updated. The amounts per the calculations provided to AGSA is correct and should be audited.

### PMTE as lessor

	Current year amounts		
Total minimum lease payments - PMTE as lessee	Amount per Operating leases schedules	Amounts per financial statements submitted for audit on 31-May 2021	Difference
<i>Within one year</i>	R2 737 396 624	R2 693 712 000	R43 684 624
<i>In second to fifth year inclusive</i>	R4 644 050 107	R4 494 754 000	R149 296 107
<i>Later than five years</i>	R1 259 220 186	R1 258 979 000	R241 186
<b>Total</b>	<b>R8 640 666 917</b>	<b>R8 447 445 000</b>	<b>R193 221 917</b>

Regarding the current year disclosure we are also in agreement with the finding. Calculations were performed early May 2021, these were used to process journals and update the disclosure of the AFS. Updated data was extracted from Archibus on 27 May and the calculations were updated, journals were amended to be in line with the updated calculations, however the commitments in the AFS were not updated. The amounts per the calculations provided to AGSA is correct and should be audited.

### PMTE as lessee

	Current year amounts		
Total minimum lease payments - PMTE as lessee	Amount per Operating leases schedules	Amounts per financial statements submitted for audit on 31-May 2021	Difference
<i>Within one year</i>	R2 828 842 183	R2 784 825 000	R44 017 183
<i>In second to fifth year inclusive</i>	R4 732 632 283	R4 583 311 000	R149 321 283
<i>Later than five years</i>	R1 259 220 186	R1 258 979 000	R241 186
<b>Total</b>	<b>R8 820 694 653</b>	<b>R8 627 115 000</b>	<b>R193 579 653</b>

### Issue 2

Management is in agreement with the finding as the commitment for Freehold private was not included in the commitment disclosure.

PMTE as Lessor - (Freehold private)	Amount
Within one year	27 237 029,16
In the second to fifth year inclusive	57 381 539,30
Later than five years	27 771 005,70

| Total

**112 389 574,16**

**Auditor's conclusion**

Management's response is noted. The finding will remain and adjustments to the AFS will be inspected upon submission.

## **PMTE HO COFF 09- Differences in operating lease commitment**

### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

GRAP 13, paragraph 06 definitions state “*Minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor*”

GRAP 13, paragraph 42 states “*Lessees shall, in addition to meeting the requirements of GRAP 104, make the following disclosures for operating leases:*

*(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;*

GRAP 13, paragraph 66 states that “*Lessors shall, In addition to meeting the requirements of GRAP 104, disclose the following for operating leases:*

*“(a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;”*

## Nature

During the audit of operating lease commitments, differences were noted between auditor's recalculations and amounts on the annual financial statement (AFS) (Supporting schedules) submitted for operating lease commitment for both instances where PMTE is a lessee and a lessor.

Total commitment differences are highlighted in tables A below. For detailed differences for commitments categories as indicated below, refer to Annexure A

- (i) not later than one year;
- (ii) later than one year and not later than five years; and
- (iii) later than five years;"

*Table A*

Item No.	Archibus Asset	Total amount disclosed in AFS	Total auditors recalculated Amount	Total differences
1	139026	R 242 516,81	R 267 742,16	R (25 225,35)
2	139808	R 8 236 538,82	R 7 421 380,93	R 815 157,89
3	138213	R 66 717 413,12	R 31 965 169,74	R 34 752 243,38
4	139438	R 38 275 514,28	R 34 870 157,57	R 3 405 356,71
5	138884	R 7 676 882,76	R 8 343 250,01	R (666 367,25)
6	138958	R 769 592,20	R 746 876,22	R 22 715,98
7	140552	R 120,00	R 13 680,00	R (13 560,00)
8	139143	R 1 350 384,09	R 1 220 269,57	R 130 114,52
9	139594	R 11 219 767,12	R 11 292 265,33	R (72 498,21)
10	138601	R 39 853 118,24	R 137 693 479,81	R (97 840 361,57)
11	138748	R 1 286 718,68	R 1 125 458,86	R 161 259,82
12	138348	R 2 002 371,77	R 1 047 697,68	R 954 674,09
13	139228	R 59 150 128,20	R 55 336 829,27	R 3 813 298,93
14	138013	R 12 629 528,51	R 393 871,17	R 12 235 657,34
15	138085	R 69 973 758,60	R 75 462 712,12	R (5 488 953,52)
16	138118	R 13 237 527,06	R 13 729 610,86	R (492 083,80)
17	139791	R 62 883 346,59	R 72 965 834,22	R (10 082 487,63)
18	139705	R 19 800 197,97	R 20 282 736,96	R (482 538,99)
19	138432	R 29 273 155,16	R 29 793 570,08	R (520 414,92)
20	138806	R 73 170 872,26	R 74 975 768,56	R (1 804 896,30)
21	139236	R 1 097 215,04	R 209 944,27	R 887 270,77
22	138492	R 28 749 763,56	R 22 293 583,10	R 6 456 180,46
23	140557	R 1 082 113,56	R 1 191 241,18	R (109 127,62)
24	140795	R 37 834 509,69	R 37 114 968,05	R 719 541,64
25	138305	R 18 155 580,36	R 18 683 602,27	R (528 021,91)
26	139489	R 37 733 374,44	R 58 080 757,37	R (20 347 382,93)
27	138813	R 224 426 152,46	R 209 005 455,52	R 15 420 696,94
28	137700	R 5 117 650,40	R 41 584 204,01	R (36 466 553,61)
29	138812	R 36 341 290,72	R 33 322 638,89	R 3 018 651,83
30	137723	R 80 844 370,32	R 68 784 940,88	R 12 059 429,44
31	138823	R 6 692 115,70	R 6 049 681,49	R 642 434,21
32	139303	R 3 518 183,09	R 3 940 935,27	R (422 752,18)
33	139850	R 6 396 794,93	R 8 746 351,42	R (2 349 556,49)
34	139333	R 1 072 468,85	R 1 245 914,56	R (173 445,71)

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Total amount disclosed in AFS</b>	<b>Total auditors recalculated Amount</b>	<b>Total differences</b>
35	138691	R 176 517 346,57	R 4 311 236,53	R 172 206 110,04
36	138612	R 5 896 943,59	R 7 577 527,92	R (1 680 584,33)
37	138370	R 15 316 290,48	R 662 225,03	R 14 654 065,45
38	137717	R 7 578 596,90	R 8 996 464,31	R (1 417 867,41)
39	138067	R 11 938 691,43	R 52 121 411,31	R (40 182 719,88)
40	138651	R 50 755 877,88	R 2 664 662,89	R 48 091 214,99
41	139239	R 30 309 544,40	R 650 683,50	R 29 658 860,90
42	139195	R 4 839 985,52	R 4 619 583,86	R 220 401,66
43	139296	R 1 790 674,18	R 861 281,15	R 929 393,03
44	139795	R 223 697 931,20	R 3 020 344,18	R 220 677 587,02
45	139522	R 605 875,13	R 808 959,47	R (203 084,34)
46	137702	R -	R 4 676 101,39	R (4 676 101,39)
47	138811	R 38 648 199,74	R 336 903,28	R 38 311 296,46
48	138809	R 2 383 917,28	R 100 947 917,02	R (98 563 999,74)
<b>Total</b>				<b>R 295 633 028,41</b>

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA.
- Non-compliance with paragraph 17 of GRAP 01.
- Non-compliance with paragraph 42 and 66 GRAP 13.
- This resulted in the disclosure note for operating lease commitments being overstated by **R295 633 028**.

## Internal control deficiency

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## Recommendation

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

## Management response

I partially in agreement with the finding, please refer the below schedule for differences according to management for the following reasons [and supply the following/attached information in support of this:

Item No.	Archibus Asset	Amount disclosed in AFS	Recalculated Amount	Difference	Comment
1	139026	242 516.81		-25 225.35	@ - Accept AG difference
2	139808	8 236 538.82		815 157.89	@ - Accept AG difference
3	138213	66 717 413.12	66 716 480.84	932.28	Refer to attached lease
4	139438	38 275 514.28	38 245 902.41	29 611.87	
5	138884	7 676 882.76		-666 367.25	@ - Accept AG difference
6	138958	769 592.20		22 715.98	@ - Accept AG difference
7	140552	120.00		-13 560.00	@ - Accept AG difference
8	139143	1 350 384.09		130 114.52	@ - Accept AG difference
9	139594	11 219 767.12		-72 498.21	@ - Accept AG difference
10	138601	39 853 118.24	137 693 479.68	-97 840 361.44	Lease only captured for first 5 years, not remaining 4 years and 11 months
11	138748	1 286 718.68		161 259.82	@ - Accept AG difference
12	138348	2 002 371.77		954 674.09	@ - Accept AG difference
13	139228	59 150 128.20	23 109 467.69	36 040 660.51	Lease is for 5 years, not 9 years 11 months
14	138013	12 629 528.51	12 629 528.42	0.09	
15	138085	69 973 758.60	69 121 759.90	851 998.70	10 years, not 9 years 11 months
16	138118	13 237 527.06		-492 083.80	@ - Accept AG difference
17	139791	62 883 346.59	62 963 109.17	-79 762.58	AG to exclude operating cost
18	139705	19 800 197.97		-482 538.99	@ - Accept AG difference
19	138432	29 273 155.16		-520 414.92	@ - Accept AG difference
20	138806	73 170 872.26	73 170 872.44	-0.18	
21	139236	1 097 215.04		887 270.77	@ - Accept AG difference
22	138492	28 749 763.56	25 959 178.38	2 790 585.18	Operating cost captured as other
23	140557	1 082 113.56		-109 127.62	@ - Accept AG difference
24	140795	37 834 509.69		719 541.64	@ - Accept AG difference
25	138305	18 155 580.36		-528 021.91	@ - Accept AG difference
26	139489	37 733 374.44	35 526 774.75	2 206 599.69	De-escalation not captured
27	138813	224 426 152.46	209 005 455.52	15 420 696.94	De-escalation not captured
28	137700	5 117 650.40	1 499 972.05	3 617 678.35	Reversal did not clear out the Benguni lease property
29	138812	36 341 290.72	33 322 638.75	3 018 651.97	De-escalation not captured
30	137723	80 844 370.32	68 800 249.38	12 044 120.94	De-escalation not captured
31	138823	6 692 115.70		642 434.21	@ - Accept AG difference
32	139303	3 518 183.09		-422 752.18	@ - Accept AG difference
33	139850	6 396 794.93	6 396 731.14	63.79	AG to exclude operating cost
34	139333	1 072 468.85		-173 445.71	@ - Accept AG difference
35	138691	176 517 346.57	176 517 346.57	0.00	
36	138612	5 896 943.59	5 846 821.10	50 122.49	Pay 6% escalation from 2014 as per SIU, refer to attached document
37	138370	15 316 290.48	15 316 290.27	0.21	
38	137717	7 578 596.90	8 260 508.47	-681 911.57	Commitment excluded storage and parking
39	138067	11 938 691.43	52 121 427.14	-40 182 735.71	New lease provided to AG, not yet captured on Archibus
40	138651	50 755 877.88	50 755 877.99	-0.11	
41	139239	30 309 544.40	30 309 544.35	0.05	
42	139195	4 839 985.52		220 401.66	@ - Accept AG difference
43	139296	1 790 674.18		929 393.03	@ - Accept AG difference
44	139795	223 697 931.20	93 419 520.93	130 278 410.27	Lease is for 5 years, not 9 years 11 months

45	139522	605 875.13		-203 084.34	@ - Accept AG difference
46	137702	0.00	5 211 539.48	-5 211 539.48	Lease expired, region did not capture the rental for April
47	138811	38 648 199.74	35 437 927.43	3 210 272.31	De-escalation not captured
48	138809	2 383 917.28	4 587 944.84	-2 204 027.56	Renewed lease not valid, signed with prospective buyer, sale was cancelled. Thus lease still running on month to month
Total				<b>65 133 910.34</b>	

### Auditor's conclusion

Management comments are noted and after taking into account additional submitted information the audit team conclude as follows.

1. Management agree with auditor's difference and the finding remains with an understatement of R105 986 185,63

Item No ,	Archibus Asset	Amount disclosed in AFS	Recalculated Amount	Difference	Comment
1	139026	242 516,81		-25 225,35	@ - Accept AG difference
2	139808	8 236 538,82		815 157,89	@ - Accept AG difference
5	138884	7 676 882,76		-666 367,25	@ - Accept AG difference
6	138958	769 592,20		22 715,98	@ - Accept AG difference
7	140552	120		-13 560,00	@ - Accept AG difference
8	139143	1 350 384,09		130 114,52	@ - Accept AG difference
9	139594	11 219 767,12		-72 498,21	@ - Accept AG difference
11	138748	1 286 718,68		161 259,82	@ - Accept AG difference
12	138348	2 002 371,77		954 674,09	@ - Accept AG difference
16	138118	13 237 527,06		-492 083,80	@ - Accept AG difference
18	139705	19 800 197,97		-482 538,99	@ - Accept AG difference
19	138432	29 273 155,16		-520 414,92	@ - Accept AG difference
21	139236	1 097 215,04		887 270,77	@ - Accept AG difference
23	140557	1 082 113,56		-109 127,62	@ - Accept AG difference
24	140795	37 834 509,69		719 541,64	@ - Accept AG difference
25	138305	18 155 580,36		-528 021,91	@ - Accept AG difference
31	138823	6 692 115,70		642 434,21	@ - Accept AG difference
32	139303	3 518 183,09		-422 752,18	@ - Accept AG difference
34	139333	1 072 468,85		-173 445,71	@ - Accept AG difference
43	139296	1 790 674,18		929 393,03	@ - Accept AG difference
45	139522	605 875,13		-203 084,34	@ - Accept AG difference
27	138813	224 426 52,46	209 005 455,52	15 420 696,94	De-escalation not captured
29	138812	36 341 290,72	33 322 638,75	3 018 651,97	De-escalation not captured
30	137723	80 844 370,32	68 800 249,38	12 044 120,94	De-escalation not captured
10	138601	39 853 118,24	137 693 479,68	-97 840 361,44	Lease only captured for first 5 years, not remaining 4 years and 11 months
39	138067	11 938 691,43	52 121 427,14	-40 182 735,71	New lease provided to AG, not yet captured on Archibus
<b>Total</b>				<b>-105 986 185,63</b>	

2. After taking into account management comments and resubmitted leases and/or addendums and operating cost, the adjusted overstatement is now **R114 307 913,8**

Item No.	Region	Archibus Asset	Amount disclosed in AFS	Recalculated AGSA Amount	Difference
3	JHB	138213	66 717 413,12	66 716 480,84	932,28
4	JHB	139438	38 275 514,28	38 245 902,41	29 611,87
14	PE	138013	12 629 528,51	12 629 528,42	0,09
17	BFN	139791	62 883 346,59	62 883 346,58	0,01
28	PTA	137700	5 117 650,40	1 499 972,05	3 617 678,35
33	PTA	139850	6 396 794,93	6 396 731,14	63,79
35	PTA	138691	176 517 346,57	176 517 346,57	0
36	PTA	138612	5 896 943,59	5 846 821,10	50 122,49
37	PTA	138370	15 316 290,48	15 316 290,27	0,21
40	PTA	138651	50 755 877,88	50 755 877,99	-0,11
41	PTA	139239	30 309 544,40	30 309 544,35	0,05
42		139195	4 839 985,52	59 402 855,19	-54 562 869,67
44	PTA	139795	223 697 931,20	93 419 520,93	130 278 410,27
46	PTA	137702	0	5 211 539,48	-5 211 539,48
47	PTA	138811	38 648 199,74	35 437 927,43	3 210 272,31
13	PE	139228	59 150 128,20	23 109 467,69	36 040 660,51
26	DBN	139489	37 733 374,44	35 526 774,75	2 206 599,69
48	PTA	138809	2 383 917,28	4 587 944,84	-2 204 027,56
15	BFN	138085	69 973 758,60	69 121 759,90	851 998,70
<b>Total</b>					<b>114 307 913,80</b>

No.	Region	Archibus Asset	Amount disclosed in AFS	Recalculated AGSA Amount	Difference	Comments
20	CPT	138806	73 170 872,26	72 430 355,44	740 516,82	The monthly rental amount used by management differs as per the lease agreement. Furthermore, SIU recovery was not taken into account, which will decrease contractual amount and have an impact on commitment, lease liability / asset and straight-lined amount. Refer to attached calculations
22	CPT	138492	28 749 763,56	25 414 684,74	3 335 078,82	Management incorrectly included a commitment amount for the month of April 2026, however the contract end on <b>March 2026</b>
38	PTA	137717	7 578 596,90	8 996 464,31	-1 417 867,41	Commitment include both storage and parking and exclude operating costs thus difference still remain
<b>Total</b>					<b>2 657 728,23</b>	

Overall overstatement of **R10 979 456,4**

## **PMTE HO COFF 10- Misstatement of operating lease asset and liability**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

The PMTE accounting policy on operating leases note 1.4 to the financial statements states that “*Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being renegotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.*”

## Nature

During the audit of operating lease asset / liability, differences were noted between auditor's recalculations and amounts on the annual financial statement (AFS) (Supporting schedules) submitted for operating lease asset / liability for both instances where PMTE is a lessee and a lessor.

Differences are highlighted in tables A below.

*Table A*

Item No.	Archibus Asset	Lease liability / asset balance	Recalculated Amount	Difference
1	139808	R (1 324 281,51)	R (402 858,69)	R (921 422,82)
2	138213	R (1 053 321,70)	R (934 879,94)	R (118 441,76)
3	138884	R (449 480,04)	R (488 496,05)	R 39 016,01
4	137972	R (495 474,71)	R (460 372,28)	R (35 102,43)
5	139143	R (51 734,98)	R (46 749,71)	R (4 985,27)
6	139594	R (152 957,72)	R (168 564,67)	R 15 606,95
7	138775	R (661 782,53)	R (1 003 452,50)	R 341 669,97
8	138601	R (1 237 023,90)	R (3 260 655,85)	R 2 023 631,95
9	138748	R (30 949,07)	R (2 654,38)	R (28 294,69)
10	138348	R (6 757 190,00)	R (46 211,56)	R (6 710 978,44)
11	139228	R (2 816 471,66)	R (2 039 688,34)	R (776 783,32)
12	139536	R (614 474,25)	R (1 284 919,15)	R 670 444,90
13	138141	R (102 131,19)	R (508 632,09)	R 406 500,90
14	138013	R (20 774,86)	R -	R (20 774,86)
15	138085	R (1 324 802,00)	R (2 758 428,87)	R 1 433 626,87
16	138118	R (3 359 551,61)	R (3 470 895,56)	R 111 343,95
17	139791	R (5 503 971,04)	R (6 306 822,72)	R 802 851,68
18	138806	R (18 133 111,36)	R (18 580 400,08)	R 447 288,72
19	139717	R (1 008 354,80)	R (1 022 521,39)	R 14 166,59
20	139236	R (111 215,60)	R -	R (111 215,60)
21	138492	R (5 060 566,20)	R (3 924 141,87)	R (1 136 424,33)
22	140557	R (265 069,44)	R (4 603,83)	R (260 465,61)
23	138305	R (913 607,16)	R (1 093 922,14)	R 180 314,98
24	137902	R (232 989,28)	R (491 685,79)	R 258 696,51
25	139489	R (1 833 751,57)	R (1 306 266,45)	R (527 485,12)
26	138813	R (10 102 214,00)	R (7 390 986,80)	R (2 711 227,20)
27	137700	R (2 450 590,04)	R (1 526 289,90)	R (924 300,14)
28	138812	R (2 324 633,60)	R (1 614 362,53)	R (710 271,07)
29	137723	R (4 483 690,95)	R (2 913 612,30)	R (1 570 078,65)
30	139303	R (166 785,51)	R (173 825,70)	R 7 040,19
31	138691	R (5 162 573,59)	R -	R (5 162 573,59)
32	140426	R (8 272 875,16)	R (9 523 107,61)	R 1 250 232,45
33	138370	R (429 271,32)	R -	R (429 271,32)
34	139884	R (1 604 482,78)	R -	R (1 604 482,78)
35	138067	R (3 050 862,27)	R (1 897 324,79)	R (1 153 537,48)
36	138651	R (1 422 540,48)	R -	R (1 422 540,48)
37	138944	R (11 412 012,30)	R (23 863 537,11)	R 12 451 524,81
38	139795	R (8 245 396,02)	R -	R (8 245 396,02)

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Lease liability / asset balance</b>	<b>Recalculated Amount</b>	<b>Difference</b>
39	138811	R (2 472 197,84)	R -	R (2 472 197,84)
40	140096	R (10 080 043,48)	R (18 368 283,93)	R 8 288 240,45
41	138809	R 0,04	R (4 188 524,18)	R 4 188 524,22
<b>Total</b>				<b>R (4 127 528,71)</b>

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Lease liability / asset balance</b>	<b>Management Recalculated Amount</b>	<b>Management Difference</b>	<b>Comment</b>
1	139808	-1 324 281.51		-921 422.82	@ - Accept AG difference
2	138213	-1 053 321.70	-1 782 657.35	729 335.65	Please refer to attached lease agreement
3	138884	-449 480.04		39 016.01	@ - Accept AG difference
4	137972	-495 474.71		-35 102.43	@ - Accept AG difference
5	139143	-51 734.98		-4 985.27	@ - Accept AG difference
6	139594	-152 957.72		15 606.95	@ - Accept AG difference
7	138775	-661 782.53		341 669.97	@ - Accept AG difference
8	138601	-1 237 023.90	-3 260 655.84	2 023 631.94	Lease only captured for first 5 years, not remaining 4 years and 11 months
9	138748	-30 949.07		-28 294.69	@ - Accept AG difference
10	138348	-6 757 190.00	-46 211.56	-6 710 978.44	
11	139228	-2 816 471.66	-1 130 310.96	-1 686 160.70	Lease should be 5 years, not 9 years 11 months
12	139536	-614 474.25		670 444.90	@ - Accept AG difference
13	138141	-102 131.19		406 500.90	@ - Accept AG difference
14	138013	-20 774.86	-20 775.82	0.96	
15	138085	-1 324 802.00	-2 758 428.93	1 433 626.93	De-escalation not captured
16	138118	-3 359 551.61		111 343.95	@ - Accept AG difference
17	139791	-5 503 971.04	-5 510 952.09	6 981.05	AG to exclude operating cost
18	138806	-18 133 111.36	-18 133 113.01	1.65	
19	139717	-1 008 354.80		14 166.59	@ - Accept AG difference
20	139236	-111 215.60		-111 215.60	@ - Accept AG difference
21	138492	-5 060 566.20	-4 570 451.11	-490 115.09	Operating cost captured as other
22	140557	-265 069.44		-260 465.61	@ - Accept AG difference
23	138305	-913 607.16		180 314.98	@ - Accept AG difference
24	137902	-232 989.28		258 696.51	@ - Accept AG difference
25	139489	-1 833 751.57	-1 306 266.47	-527 485.10	De-escalation not captured
26	138813	-10 102 214.00	-7 390 986.80	-2 711 227.20	De-escalation not captured
27	137700	-2 450 590.04	0.00	-2 450 590.04	Reversal did not clear out the Benguni lease property
28	138812	-2 324 633.60	-1 614 362.50	-710 271.10	De-escalation not captured
29	137723	-4 483 690.95	-2 215 045.80	-2 268 645.15	De-escalation not captured
30	139303	-166 785.51		7 040.19	@ - Accept AG difference
31	138691	-5 162 573.59	-5 162 573.16	-0.43	
32	140426	-8 272 875.16	-8 353 139.32	80 264.16	AG to esclude operating cost

33	138370	-429 271.32	-429 271.37	0.05	
34	139884	-1 604 482.78	0.00	-1 604 482.78	
35	138067	-3 050 862.27	-1 897 328.02	-1 153 534.25	New lease provided to AG, not yet captured on Archibus
36	138651	-1 422 540.48	-1 422 540.64	0.16	
37	138944	-11 412 012.30	-23 863 537.01	12 451 524.71	9 years and 11 months split 2 records
38	139795	-8 245 396.02	-4 569 257.49	-3 676 138.53	Lease should be 5 years, not 9 years 11 months
39	138811	-2 472 197.84	-1 716 840.66	-755 357.18	De-escalation not captured
40	140096	-10 080 043.48	-22 821 286.46	12 741 242.98	9 years and 11 months split 2 records
41	138809	0.04	0.00	0.04	Renewed lease not valid, signed with prospective buyer, sale was cancelled. Thus lease still running on month to month
<b>Total</b>				<b>5 404 938.83</b>	

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA.
- Non-compliance with paragraph 17 of GRAP 01.
- This resulted in the operating lease liability being overstated by **R4 127 529** and operating expenditure leases is understated by the same amount.
- This resulted in the operating lease asset being overstated by **R4 127 529** and Revenue from exchange transactions - Accommodation charges - leasehold intergovernmental is understated by the same amount.

## Internal control deficiency

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## Recommendation

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

## Management response

I am partially in agreement with the finding, please refer to below table for differences according to management:

## Auditor's conclusion

Management agree with auditor's difference and the finding remains

Item No,	Archibus Asset	Lease liability / asset balance	Management Recalculated Amount	Management Difference	Comment
1	139808	-1 324 281,51		-921 422,82	@ - Accept AG difference
3	138884	-449 480,04		39 016,01	@ - Accept AG difference
4	137972	-495 474,71		-35 102,43	@ - Accept AG difference
5	139143	-51 734,98		-4 985,27	@ - Accept AG difference
6	139594	-152 957,72		15 606,95	@ - Accept AG difference
7	138775	-661 782,53		341 669,97	@ - Accept AG difference
9	138748	-30 949,07		-28 294,69	@ - Accept AG difference
12	139536	-614 474,25		670 444,90	@ - Accept AG difference
13	138141	-102 131,19		406 500,90	@ - Accept AG difference
16	138118	-3 359 551,61		111 343,95	@ - Accept AG difference
19	139717	-1 008 354,80		14 166,59	@ - Accept AG difference
20	139236	-111 215,60		-111 215,60	@ - Accept AG difference
22	140557	-265 069,44		-260 465,61	@ - Accept AG difference
23	138305	-913 607,16		180 314,98	@ - Accept AG difference
24	137902	-232 989,28		258 696,51	@ - Accept AG difference
30	139303	-166 785,51		7 040,19	@ - Accept AG difference
37	138944	-11 412 012,30	-23 863 537,01	12 451 524,71	9 years and 11 months split 2 records
15	138085	-1 324 802,00	-2 758 428,93	1 433 626,93	De-escalation not captured
25	139489	-1 833 751,57	-1 306 266,47	-527 485,10	De-escalation not captured
26	138813	-10 102 214,00	-7 390 986,80	-2 711 227,20	De-escalation not captured
28	138812	-2 324 633,60	-1 614 362,50	-710 271,10	De-escalation not captured
8	138601	-1 237 023,90	-3 260 655,84	2 023 631,94	Lease only captured for first 5 years, not remaining 4 years and 11 months
35	138067	-3 050 862,27	-1 897 328,02	-1 153 534,25	New lease provided to AG, not yet captured on Archibus
10	138348	-6 757 190,00	-46 211,56	-6 710 978,44	
34	139884	-1 604 482,78	0	-1 604 482,78	
Total				<b>3 174 119,24</b>	

After taking into account managements comment and resubmitted leases and/or addendums and operating cost the new differences are as follows and they agree with managements submitted or recalculated amounts.

Item No,	Archibus Asset	Lease liability / asset balance	Recalculated Amount	AGSA	Auditors Difference
2	138213	- 1 053 321,70	- 1 782 657,35		729 335,65
14	138013	- 20 774,86	- 20 775,82		0,96
27	137700	- 2 450 590,04		-	- 2 450 590,04
31	138691	- 5 162 573,59	- 5 162 573,16	-	0,43
33	138370	- 429 271,32	- 429 271,37		0,05
36	138651	- 1 422 540,48	- 1 422 540,64		0,16

38	139795	- 8 245 396,02	- 4 569 257,49	- 3 676 138,53
39	138811	- 2 472 197,84	- 1 716 840,66	- 755 357,18
40	140096	-10 080 043,48	- 22 821 286,46	12 741 242,98
41	138809	0,04	-	0,04
<b>Total</b>				<b>6 588 493,67</b>

Item No.	Region	Archibus Asset	Amount disclosed in AFS	Recalculated AGSA Amount	Difference	Comments
20	CPT	138806	-18 133 111,36	-17 275 608,48	-857 502,88	The monthly rental amount used by management differs as per the lease agreement. Furthermore, SIU recovery was not taken into account, which will decrease contractual amount and have an impact on commitment, lease liability / asset and straight-lined amount. Refer to attached calculations
22	CPT	138492	-5 060 566,20	-4 473 521,73	-587 044,47	Management incorrectly included a commitment amount for the month of April 2026, however the contract end on <b>March 2026</b>
<b>Total</b>				<b>-1 444 547,35</b>		

## **PMTE HO COFF 11- Misstatement of operating lease expenditure and revenue from exchange transaction**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

GRAP 13, paragraph 40 states that “*Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit...*”

GRAP 13, paragraph 60 states that “*Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished...*”

The PMTE accounting policy on operating leases note 1.4 to the financial statements states that “*Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being renegotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability...*”

### **Nature**

During the audit of operating lease expenditure, differences were noted between auditor's recalculations and amounts on the annual financial statement (AFS) (Supporting schedules) submitted for operating lease expenditure and revenue from exchange transactions - accommodation charges - leasehold intergovernmental for both instances where PMTE is a lessee and a lessor.

Differences are highlighted in tables A below.

**Table A**

Item No.	Archibus Asset	Straight-line amount per AFS	Recalculated Amount	Difference
1	139026	R 3 118 826,48	R 3 091 664,21	R 27 162,27
2	139438	R 12 077 957,28	R 12 068 086,62	R 9 870,66

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Straight-line amount per AFS</b>	<b>Recalculated Amount</b>	<b>Difference</b>
3	138884	R 2 604 711,84	R 2 618 251,32	R (13 539,48)
4	138958	R 8 675 402,96	R 8 419 331,98	R 256 070,98
5	140552	R 1 440,00	R 13 680,00	R (12 240,00)
6	139143	R 380 092,56	R 343 469,23	R 36 623,33
7	139594	R 4 427 528,32	R 4 767 300,28	R (339 771,96)
8	138775	R 4 286 383,68	R 4 464 646,42	R (178 262,74)
9	138601	R 15 029 559,50	R 15 363 751,31	R (334 191,81)
10	138647	R 6 737 210,35	R 6 679 230,08	R 57 980,27
11	138962	R 1 414 285,72	R 1 403 237,92	R 11 047,80
12	138748	R 1 152 190,70	R 1 093 606,25	R 58 584,45
13	138348	R 5 179 802,05	R 858 416,67	R 4 321 385,38
14	139228	R 7 860 510,24	R 7 436 810,36	R 423 699,88
15	139536	R 3 293 469,24	R 3 628 691,80	R (335 222,56)
16	138141	R 1 535 578,68	R 1 697 639,71	R (162 061,03)
17	138013	R 4 533 192,22	R 4 638 995,70	R (105 803,48)
18	139802	R 8 566 234,31	R 7 923 115,61	R 643 118,70
19	138085	R 7 665 923,28	R 8 382 736,52	R (716 813,24)
20	138118	R 4 088 473,56	R 4 103 486,12	R (15 012,56)
21	139791	R 9 057 473,00	R 9 282 236,89	R (224 763,89)
22	138432	R 5 525 052,16	R 6 232 368,82	R (707 316,66)
23	138806	R 27 518 879,52	R 28 197 684,24	R (678 804,72)
24	139717	R 5 162 310,28	R 6 220 770,21	R (1 058 459,93)
25	139236	R 2 958 000,00	R 2 519 331,24	R 438 668,76
26	138079	R 59 166 757,38	R 59 180 286,55	R (13 529,17)
27	138492	R 4 737 839,52	R 3 673 888,25	R 1 063 951,27
28	138987	R 7 880 564,07	R 7 783 382,57	R 97 181,50
29	139790	R 1 936 065,31	R 1 944 897,57	R (8 832,26)
30	139794	R 535 094,28	R 652 512,16	R (117 417,88)
31	139190	R 2 384 697,77	R 2 270 762,26	R 113 935,51
32	140557	R 408 522,36	R 593 318,67	R (184 796,31)
33	138305	R 5 747 324,52	R 5 863 226,71	R (115 902,19)
34	137902	R 1 255 994,88	R 1 388 551,41	R (132 556,53)
35	139489	R 5 825 096,54	R 5 549 271,60	R 275 824,94
36	140322	R 50 477 356,44	R 41 197 498,98	R 9 279 857,46
37	138813	R 26 243 747,64	R 24 687 485,97	R 1 556 261,67
38	137700	R 17 647 095,84	R 12 649 867,61	R 4 997 228,23
39	138812	R 4 485 713,04	R 4 181 311,17	R 304 401,87
40	137723	R 9 545 085,00	R 8 409 105,78	R 1 135 979,22
41	138823	R 97 373 859,22	R 69 459 306,03	R 27 914 553,19
42	139303	R 3 491 770,68	R 3 228 951,06	R 262 819,62
43	139333	R 15 296 676,06	R 17 619 296,47	R (2 322 620,41)
44	137730	R 45 822 188,48	R 42 610 033,50	R 3 212 154,98
45	138691	R 43 750 154,91	R 49 907 771,63	R (6 157 616,72)
46	137699	R 18 969 178,34	R 14 245 301,63	R 4 723 876,71

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Straight-line amount per AFS</b>	<b>Recalculated Amount</b>	<b>Difference</b>
47	140426	R 54 392 879,64	R 54 747 467,99	R (354 588,35)
48	138612	R 68 618 633,92	R 88 174 870,29	R (19 556 236,37)
49	138370	R 7 443 509,64	R 7 877 653,18	R (434 143,54)
50	137717	R 77 044 183,68	R 102 757 780,46	R (25 713 596,78)
51	137705	R 72 873 723,67	R 67 577 601,92	R 5 296 121,75
52	138067	R 5 332 697,52	R 7 008 012,07	R (1 675 314,55)
53	138651	R 24 666 668,52	R 31 778 572,24	R (7 111 903,72)
54	139239	R 28 544 354,79	R 7 810 596,60	R 20 733 758,19
55	139195	R 57 680 157,79	R 55 053 572,76	R 2 626 585,03
56	138944	R 61 247 696,64	R 67 392 107,71	R (6 144 411,07)
57	139296	R 19 425 585,47	R 11 316 916,14	R 8 108 669,33
58	139795	R 32 516 406,55	R 38 994 743,95	R (6 478 337,40)
59	139522	R 7 559 696,27	R 9 048 361,53	R (1 488 665,26)
60	137702	R 59 292 458,04	R 53 187 883,08	R 6 104 574,96
61	138811	R 4 770 461,64	R 3 828 446,34	R 942 015,30
62	140096	R 53 648 186,16	R 59 108 719,01	R (5 460 532,85)
63	138809	R 49 114 519,54	R 28 319 822,30	R 20 794 697,24
<b>Total</b>				<b>R 37 475 395,05</b>

## **Impact**

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA.
- Non-compliance with paragraph 17 of GRAP 01.
- This resulted in the operating lease expenditure being overstated by **R37 475 395**
- This resulted in the Revenue from exchange transactions - Accommodation charges - leasehold inter-governmental being overstated by **R37 475 395**

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## **Recommendation**

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

### **Management response**

I am partially in agreement with the finding, please refer below table for summary of differences as per calculations performed by management:

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Straight-line amount per AFS</b>	<b>Management Recalculated Amount</b>	<b>Management Difference</b>	<b>Comment</b>
1	139026	3 118 826.48		27 162.27	@ - Accept AG difference
2	139438	12 077 957.28	12 068 086.62	9 870.66	
3	138884	2 604 711.84		-13 539.48	@ - Accept AG difference
4	138958	8 675 402.96		256 070.98	@ - Accept AG difference
5	140552	1 440.00		-12 240.00	@ - Accept AG difference
6	139143	380 092.56		36 623.33	@ - Accept AG difference
7	139594	4 427 528.32		-339 771.96	@ - Accept AG difference
8	138775	4 286 383.68		-178 262.74	@ - Accept AG difference
9	138601	15 029 559.50	15 363 751.30	-334 191.80	
10	138647	6 737 210.35		57 980.27	@ - Accept AG difference
11	138962	1 414 285.72		11 047.80	@ - Accept AG difference
12	138748	1 152 190.70		58 584.45	@ - Accept AG difference
13	138348	5 179 802.05	858 416.67	4 321 385.38	
14	139228	7 860 510.24	6 940 786.34	919 723.90	
15	139536	3 293 469.24		-335 222.56	@ - Accept AG difference
16	138141	1 535 578.68		-162 061.03	@ - Accept AG difference
17	138013	4 533 192.22	4 605 383.46	-72 191.24	
18	139802	8 566 234.31		643 118.70	@ - Accept AG difference
19	138085	7 665 923.28	8 382 736.54	-716 813.26	
20	138118	4 088 473.56		-15 012.56	@ - Accept AG difference
21	139791	9 057 473.00	9 059 427.38	-1 954.38	
22	138432	5 525 052.16		-707 316.66	@ - Accept AG difference
23	138806	27 518 879.52	27 518 879.72	-0.20	
24	139717	5 162 310.28	6 475 066.93	-1 312 756.65	
25	139236	2 958 000.00		438 668.76	@ - Accept AG difference
26	138079	59 166 757.38	59 166 757.36	0.02	
27	138492	4 737 839.52	4 718 872.17	18 967.35	
28	138987	7 880 564.07		97 181.50	@ - Accept AG difference
29	139790	1 936 065.31		-8 832.26	@ - Accept AG difference
30	139794	535 094.28		-117 417.88	@ - Accept AG difference
31	139190	2 384 697.77		113 935.51	@ - Accept AG difference
32	140557	408 522.36		-184 796.31	@ - Accept AG difference
33	138305	5 747 324.52		-115 902.19	@ - Accept AG difference
34	137902	1 255 994.88		-132 556.53	@ - Accept AG difference

35	139489	5 825 096.54	5 549 271.61	275 824.93	
36	140322	50 477 356.44	50 409 796.07	67 560.37	
37	138813	26 243 747.64	24 687 485.97	1 556 261.67	
38	137700	17 647 095.84	17 061 293.48	585 802.36	
39	138812	4 485 713.04	4 181 311.15	304 401.89	
40	137723	9 545 085.00	8 410 762.56	1 134 322.44	
41	138823	97 373 859.22	97 375 826.07	-1 966.85	
42	139303	3 491 770.68		262 819.62	@ - Accept AG difference
43	139333	15 296 676.06	16 099 304.44	-802 628.38	
44	137730	45 822 188.48	50 706 310.83	-4 884 122.35	
45	138691	43 750 154.91	43 750 154.91	0.00	
46	137699	18 969 178.34	18 969 173.36	4.98	
47	140426	54 392 879.64	54 015 184.94	377 694.70	
48	138612	68 618 633.92	68 838 044.67	-219 410.75	
49	138370	7 443 509.64	7 443 509.45	0.19	
50	137717	77 044 183.68	80 400 130.18	-3 355 946.50	
51	137705	72 873 723.67	67 577 601.92	5 296 121.75	
52	138067	5 332 697.52	7 008 013.83	-1 675 316.31	
53	138651	24 666 668.52	24 666 668.68	-0.16	
54	139239	28 544 354.79	17 573 662.38	10 970 692.41	
55	139195	57 680 157.79	48 481 062.80	9 199 094.99	New lease being captured
56	138944	61 247 696.64	67 392 107.67	-6 144 411.03	
57	139296	19 425 585.47	25 300 631.56	-5 875 046.09	Amounts incorrect
58	139795	32 516 406.55	28 057 977.93	4 458 428.62	
59	139522	7 559 696.27	7 559 664.95	31.32	
60	137702	59 292 458.04	59 278 174.20	14 283.84	
61	138811	4 770 461.64	4 446 736.72	323 724.92	
62	140096	53 648 186.16	59 108 719.02	-5 460 532.86	
63	138809	49 114 519.54	52 021 802.18	-2 907 282.64	
<b>Total</b>		<b>1 260 003 089.69</b>	<b>1 171 528 548.01</b>	<b>5 749 888.29</b>	

### Auditor's conclusion

- Management agree with auditor's difference and the finding remains

Item No.	Archibus Asset	Straight-line amount per AFS	Management Recalculated Amount	Management Difference	Comment
1	139026	3 118 826,48	3 091 664,21	27 162,27	@ - Accept AG difference
3	138884	2 604 711,84	2 618 251,32	-13 539,48	@ - Accept AG difference
4	138958	8 675 402,96	8 419 331,98	256 070,98	@ - Accept AG difference
5	140552	1 440,00	13 680,00	-12 240,00	@ - Accept AG difference
6	139143	380 092,56	343 469,23	36 623,33	@ - Accept AG difference
7	139594	4 427 528,32	4 767 300,28	-339 771,96	@ - Accept AG difference
8	138775	4 286 383,68	4 464 646,42	-178 262,74	@ - Accept AG difference

10	138647	6 737 210,35	6 679 230,08	57 980,27	@ - Accept AG difference
11	138962	1 414 285,72	1 403 237,92	11 047,80	@ - Accept AG difference
12	138748	1 152 190,70	1 093 606,25	58 584,45	@ - Accept AG difference
15	139536	3 293 469,24	3 628 691,80	-335 222,56	@ - Accept AG difference
16	138141	1 535 578,68	1 697 639,71	-162 061,03	@ - Accept AG difference
18	139802	8 566 234,31	7 923 115,61	643 118,70	@ - Accept AG difference
20	138118	4 088 473,56	4 103 486,12	-15 012,56	@ - Accept AG difference
22	138432	5 525 052,16	6 232 368,82	-707 316,66	@ - Accept AG difference
25	139236	2 958 000,00	2 519 331,24	438 668,76	@ - Accept AG difference
28	138987	7 880 564,07	7 783 382,57	97 181,50	@ - Accept AG difference
29	139790	1 936 065,31	1 944 897,57	-8 832,26	@ - Accept AG difference
30	139794	535 094,28	652 512,16	-117 417,88	@ - Accept AG difference
31	139190	2 384 697,77	2 270 762,26	113 935,51	@ - Accept AG difference
32	140557	408 522,36	593 318,67	-184 796,31	@ - Accept AG difference
33	138305	5 747 324,52	5 863 226,71	-115 902,19	@ - Accept AG difference
34	137902	1 255 994,88	1 388 551,41	-132 556,53	@ - Accept AG difference
42	139303	3 491 770,68	3 228 951,06	262 819,62	@ - Accept AG difference
2	139438	12 077 957,28	12 068 086,62	9 870,66	
9	138601	15 029 559,50	15 363 751,31	-334 191,81	
13	138348	5 179 802,05	858 416,67	4 321 385,38	
52	138067	5 332 697,52	7 008 012,07	-1 675 314,55	
62	140096	53 648 186,16	59 108 719,01	-5 460 532,85	
56	138944	61 247 696,64	67 392 107,71	-6 144 411,07	
19	138085	7 665 923,28	8 382 736,54	-716 813,26	
51	137705	72 873 723,67	67 577 601,92	5 296 121,75	
35	139489	5 825 096,54	5 549 271,61	275 824,93	
37	138813	26 243 747,64	24 687 485,97	1 556 261,67	
39	138812	4 485 713,04	4 181 311,15	304 401,89	
Total				- 2 887 136,21	

2. After taking into account management comments and resubmitted leases and/or addendums and operating cost, the adjusted differences are as follows and agree with that of management calculations.

No.	Archibus Asset	Straight-line amount per AFS	Recalculated AGSA Amount	Difference
14	139228	7 860 510,24	6 940 786,34	919 723,90
17	138013	4 533 192,22	4 627 467,96	-94 275,74
24	139717	5 162 310,28	6 335 745,32	-1 173 435,04
26	138079	59 166 757,38	59 166 757,36	0,02
38	137700	17 647 095,84	17 061 293,48	585 802,36
40	137723	9 545 085,00	8 410 762,56	1 134 322,44
41	138823	97 373 859,22	97 375 826,07	-1 966,85
43	139333	15 296 676,06	16 099 304,44	-802 628,38
45	138691	43 750 154,91	43 750 154,91	0
48	138612	68 618 633,92	68 838 044,67	-219 410,75

No.	Archibus Asset	Straight-line amount per AFS	Recalculated AGSA Amount	Difference
49	138370	7 443 509,64	7 443 509,45	0,19
53	138651	24 666 668,52	24 666 668,68	-0,16
54	139239	28 544 354,79	17 573 662,38	10 970 692,41
55	139195	57 680 157,79	48 481 062,80	9 199 094,99
57	139296	19 425 585,47	25 300 631,56	-5 875 046,09
58	139795	32 516 406,55	28 057 977,93	4 458 428,62
60	137702	59 292 458,04	59 278 174,20	14 283,84
63	138809	49 114 519,54	52 021 802,18	-2 907 282,64
36	140322	50 477 356,44	41 197 498,98	9 279 857,46
61	138811	4 770 461,64	4 446 736,72	323 724,92
<b>Total</b>				<b>25 811 885,50</b>

3. After taking into account management comments resubmitted leases and/or addendums and operating cost, the adjusted differences are as follows:

No.	Archibus Asset	Straight-line amount per AFS	Recalculated AGSA Amount	Difference	Comments
21	139791	9 057 473,00	9 282 236,89	-224 763,89	AGSA disagree with management and calculation is provided
23	138806	27 518 879,52	28 197 684,24	-678 804,72	The monthly rental amount used by management differs as per the lease agreement. Furthermore, SIU recovery was not taken into account, which will decrease contractual amount and have an impact on commitment, lease liability / asset and straight-lined amount. Refer to attached calculations
27	138492	4 737 839,52	4 188 232,60	549 606,92	Management incorrectly included a contractual amount for the month of April 2026, however the contract end on <b>March 2026</b>
50	137717	77 044 183,68	90 379 114,53	-13 334 930,85	Straight-line from inception of the contract up to end 2020/09/31 and then the MTM expenditure should be added. Management in their calculations excluded storage and parking.
47	140426	54 392 879,64	54 747 467,99	-354 588,35	Management recalculation differs with AG calculation because management splitting of operating cost did not take into account the VAT, this had an impact in the straightlining and annualised amount
59	139522	7 559 696,27	7 993 938,30	-434 242,03	Recalculated the amount and we have noted that management stopped paying for parking in 2015 and we do not have the supporting docs to support, new recalculated amount of AG is R7 993 938,30
44	137730	45 822 188,48	52 937 467,11	-7 115 278,63	AG recalcs differs to management recalc as management used an incorrect amount of operating costs - Recalculated the amount and now AG recalculated amount is R52 937 467,11

No.	Archibus Asset	Straight-line amount per AFS	Recalculated AGSA Amount	Difference	Comments
46	137699	18 969 178,34	17 687 977,60	1 281 200,74	Recalculated the amount and our annualised now has changed to R17 687 977,60, management escalated their straight amount
Total			<b>-20 311 800,81</b>		

## **PMTE HO COFF 17- Differences in operating lease commitment**

### **Requirement**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

GRAP 13, paragraph 06 definitions state “*Minimum lease payments are the payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor*”

GRAP 13, paragraph 42 states “*Lessees shall, in addition to meeting the requirements of GRAP 104, make the following disclosures for operating leases:*

*(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;*

GRAP 13, paragraph 66 states that “*Lessors shall, In addition to meeting the requirements of GRAP 104, disclose the following for operating leases:*

*“(a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;”*

## Nature

During the audit of operating lease commitments, differences were noted between auditor's recalculations and amounts on the annual financial statement (AFS) (Supporting schedules) submitted for operating lease commitment for both instances where PMTE is a lessee and a lessor.

Total commitment differences are highlighted in tables A below. For detailed differences for commitments categories as indicated below, refer to Annexure A

- (i) not later than one year;
- (ii) later than one year and not later than five years; and
- (iii) later than five years;"

*Table A*

Item No.	Archibus Asset	Total amount disclosed in AFS	Total auditors recalculated Amount	Total differences
1	140227	R244 479 008,61	R205 613 601,36	R38 865 407,25
2	140081	R103 399 884,24	R14 619 311,77	R88 780 572,47
3	140098	R81 378 266,94	R84 929 213,14	(R3 550 946,20)
4	139816	R67 193 034,48	R24 580 984,06	R42 612 050,42
5	140049	R34 544 774,53	R32 164 462,39	R2 380 312,14
<b>Total</b>				<b>R169 087 396,08</b>

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA.
- Non-compliance with paragraph 17 of GRAP 01.
- Non-compliance with paragraph 42 and 66 GRAP 13.
- This resulted in the disclosure note for operating lease commitments being overstated by **R169 087 396.08**

## Internal control deficiency

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## **Recommendation**

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

## **Management response**

I am not agreement with the finding, please refer to the below table with differences as per management calculations:

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Total amount disclosed in AFS</b>	<b>Total management recalculated Amount</b>	<b>Total differences</b>
1	140227	244 479 008.61	227 629 338.28	16 849 670.33
2	140081	103 399 884.24	103 399 884.15	0.09
3	140098	81 378 266.94	85 074 496.86	(3 696 229.92)
4	139816	67 193 034.48	67 193 034.58	(0.10)
5	140049	34 544 774.53	44 208 177.58	(9 663 403.05)
<b>Total</b>		<b>530 994 968.80</b>	<b>527 504 931.46</b>	<b>3 490 037.34</b>

## **Auditor's conclusion**

Management comments are noted, after taking into account additional information provided the revised calculations are as follows

<b>Item No.</b>	<b>Archibus Asset</b>	<b>Total amount disclosed in AFS</b>	<b>Total auditors recalculated Amount</b>	<b>Total differences</b>	<b>Auditors comments</b>
1	140227	R244 479 008,61	R227 629 316,24	16 849 692, 37	Agree with management recalculation, difference noted
2	140081	R103 399 884,24	R103 399 884,24	-	Agree with management, no differences,
3	140098	R81 378 266,94	R79 444 779,39	1 933 487,55	Agree with management recalculation, difference noted
4	139816	R67 193 034,48	R67 193 034,48	-	Agree with management, no differences,
5	140049	R34 544 774,53	R32 164 462,39	2 380 312,14	Management agrees with the difference
<b>Total</b>				<b>R27 751 548,55</b>	

## **PMTE HO COFF 37- Lease expenditure and fruitless and wasteful expenditure**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation*”

GRAP 13, paragraph 40 states that “*Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit*”

Annexure A par 5-7 of the National Treasury Instruction 3 of 2019/20 states that “*5. Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources*”

6. *Evaluation of incidents into circumstances that could lead to fruitless and wasteful expenditure –*
  - a) *Evaluation of an incident(s) - An evaluation of an incident that may lead to the unintended occurrence of fruitless and wasteful expenditure*
  - b) *Exercising reasonable care - Action, procedure or operation undertaken by the employee(s) or another relevant function in responding to the possibility of incurring fruitless and wasteful*
  - c) *Examination of negligence - Confirmation of whether the action, procedure or operation of exercising reasonable care was disregarded by employee(s) or another relevant function to prevent fruitless and wasteful expenditure*
7. *Fruitless and wasteful expenditure must fulfil the following conditions in the definition –*
  - (a) *expenditure must be made in vain; and*
  - (b) *such expenditure would have been avoided had reasonable care been exercised.*

## **Nature**

PMTE entered into a lease agreement with COWSTA on the 11 January 2006 on behalf of Statistics SA to occupy a building in the Longmarket Street in PMB. The lease was for a duration of 5 years from occupancy date 01 June 2006 and to expire on 31 July 2011. The terms of the lease agreement were as follows:

*5.1 The lessee has the right to renew the lease for a further period commencing on the first day after the expiration of the contract of lease and on terms and conditions agreed to by the parties*

*5.2 In the event of the lessee exercising its rights of renewal, he shall be obliged to give the Lessor written notice*

*5.3 Atleast six months prior to expiry of the lease period the Lessor shall advise the Lessee of the terms and conditions required for the renewal. Within three months of such advice the parties shall have reached an agreement on the terms and conditions to govern the new lease, in the absence of which the original lease will be terminated at the normal expiry period”*

As per the inspection of the termination letter dated 23 September 2011, we noted that the entity did not renew the lease as per clause 5 of the lease agreement as no evidence was given to the landlord about renewal 6 months prior to the lease expiry date. We further noted that the negotiation of the new lease was only done in September 2011 while the original lease agreement ended on 31 July 2011.

The landlord entered into a lease agreement with another tenant to occupy the building from 1 August 2011 with the knowledge that Statistics SA's lease agreement was coming to an end on July 2011. The new tenant could not move in to the building since Statistics SA was still occupying the building and only vacated the premises on 03 October 2011. As a result, the new tenant cancelled the lease with the landlord as the building was not available for occupancy. As a result, the landlord suffered financial losses and sued the entity.

The court ruled against the entity to pay for damages suffered by the landlord for losing a potential tenant as a result of the entity vacating the premises later than the agreed lease expiry date. The court stipulated an amount of R3 107 928, 12 said to be financial losses suffered by the landlord together with the applicable interest charges from the date of the summons to the date of final payment levied at 7.75% p.a. A total amount of R5 347 412, 18 was paid to the landlord by the entity on 02 November 2020.

### **Issue 1 – Overstatement of straight line amount disclosed in the AFS**

It was noted that the total settlement amount of R5 347 412.18 was included in the current year lease expenditure under Archibus number 167537 as a new lease, however there was no new lease agreement entered between the entity and the landlord. As a result, the straight-line amount has been overstated .

### **Issue 2 – Fruitless and wasteful expenditure**

#### Expenditure made in vain

The court ruled that the entity compensate the landlord for the lost tenant's income during the period that entity occupied the building post the lease expiry date. The expenditure incurred for the loss experienced by the landlord was avoidable and thus had no value as the entity did not receive any economic benefits for the payment.

### Expenditure would have been avoided had reasonable care been exercised

The entity did not comply with clause 5 stated in the lease agreement as they were required to indicate in writing to the landlord 6 months prior to the lease expiry date of any intentions to renew the lease agreement. This expenditure could have been avoided as the entity could have renewed the agreement as per the terms and conditions of the lease or abide by the agreement and vacate the building on 31 July 2011. The entity incurred a cost for the financial loss suffered by the landlord for losing a new tenant, which could have been avoided.

This result in a fruitless and wasteful expenditure amounting to R5 347 412,18

### **Impact**

The above may result in the following:

- Non-compliance with section 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Operating lease expenditure is overstated by R5 347 412.18 and sundry operating expenses (losses incurred) is understated by the same amount.
- Fruitless and wasteful expenditure disclosure note is understated by R5 347 412.18

### **Internal control deficiency**

#### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

Internal procedures and internal control measures in place for the renewal/termination of leases were not adequate, or were not implemented as fruitless and wasteful expenditure was incurred.

### **Recommendation**

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management should perform a thorough review of the accruals and prepayment schedule and update it accordingly to ensure that the balances per landlord is valued accurately.

### **Management response:**

Management disagrees with the finding that payment amounts to fruitless and wasteful expenditure on the part of NDPWI. The payment was made pursuant to a court order for NDPWI to effect the

payment. As documented in your finding, the cause of the was due to failure of the client department to vacate the space upon expiry of the lease. The NDPWI has made the settlement on behalf on behalf of the client accordingly billied the client. The recovery process with client is underway. Therefore, if any, the fruitless expenditure is not at the level of NDPWI but the client.

### **Auditor's conclusion**

Management's response is noted.

The matter is still open while we engage with the client department and assess the merits of the case in order to conclude appropriately, which department must disclose the fruitless expenditure. We will also need to see how far the process to recoup the receivable from Stats SA is.

Furthermore, we wish to highlight that issue 1 has not been responded to and therefore the finding will remain as an overstatement of straight line amount disclosed in the AFS for the total settlement amount.

## **PMTE HO COFF 56 - Control deficiencies identified on Archibus system**

### **Requirements**

Treasury Regulation 8.1.1 state that "*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported.*"

## Nature

During the Data analytics of reports generated from the Archibus system, we noted a number of internal control deficiencies.

### **Issue 1: Payments made using zero percent (0%) VAT**

The ISA team tested the Archibus system to determine whether VAT percentage is configured for an automatic application to transaction during process. Based on the results of the testing, the VAT percentage is configured in the system and 14% was applied to lease payments prior to 1 April 2018 and 15% for the lease payments post 1 April 2018 to date.

An analysis of lease payment batches for a period of twelve (12) months from 1 April 2020 to 31 March 2021 revealed that although the correct VAT percentage of 15% was applied, there were lease payments that were made using zero percent (0%). These payments were made consecutively across all regions from April 2020 to 31 March 2021.

Month	Lease Payment with 0% VAT	Lease Payment with 15% VAT	Difference
April 2020	ZAR 9,138,421.51	ZAR 10,509,184.74	ZAR 1,370,763.23
May 2020	-ZAR 358,511.54	-ZAR 412,288.27	-ZAR 53,776.73
June 2020	ZAR 199,893.55	ZAR 229,877.58	ZAR 29,984.03
July 2020	ZAR 8,654,999.97	ZAR 1,298,250.00	-ZAR 7,356,749.97
August 2020	ZAR 4,842,263.06	ZAR 5,568,602.52	ZAR 726,339.46
September 2020	ZAR 8,581,909.30	ZAR 9,869,195.70	ZAR 1,287,286.40
October 2020	ZAR 16,471,665.34	ZAR 18,942,415.14	ZAR 2,470,749.80
November 2020	ZAR 6,193,515.28	ZAR 7,122,542.57	ZAR 929,027.29
1 December 2020	ZAR 8,256,004.68	ZAR 9,494,405.38	ZAR 1,238,400.70
15 December 2020	ZAR 31,699,925.60	ZAR 36,454,914.44	ZAR 4,754,988.84
January 2021	ZAR 9,350,154.56	ZAR 10,752,677.74	ZAR 1,402,523.18
February 2021	ZAR 4,217,308.93	ZAR 4,849,905.27	ZAR 632,596.34
1 March 2021	ZAR 6,872,251.38	ZAR 7,903,089.09	ZAR 1,030,837.71
5 March 2021	ZAR 523,149.34	ZAR 601,621.74	ZAR 78,472.40
25 March 2021	ZAR 25,237.09	ZAR 29,022.65	ZAR 3,785.56

The usage of the incorrect VAT may result in an inaccurate payment being made to the lessors.

### **Issue 2: Payments were made to the suspended lease accounts**

During the analysis of the lease payment batches for a period of twelve (12) months from 1 April 2020 to 31 March 2021, we noted that there were payments made to several lease accounts that were the “suspend payment” field was marked as yes.

Month	Number of Transactions made to suspended lease (incl. Payable and Receivables)	Value
April 2020	145	R21, 649, 657.93
May 2020	161	R20, 984, 355.65
June 2020	141	R5, 824, 889.28
July 2020	409	R35, 120, 786.69
August 2020	404	R12, 791, 711.47
September 2020	428	R26, 458, 683.08
October 2020	104	R19, 098, 154.51
November 2020	800	R77, 9903, 297.45
December 2020	969	R110, 377, 362.95
January 2021	164	R7, 514, 105.28
February 2021	691	R42, 004, 059.52
March 2021	898	R67, 227, 573.56

We further noted that there were inconsistencies on how the “suspend payment” and “account status” fields were interpreted. This was evidenced by the following:

- Some accounts were terminated, yet they were not suspended;
- Some accounts were active and suspended, yet they were paid; and
- Some accounts were sent for review/approval and suspended, while others with the same status were not suspended.

This may lead to paying incorrect amounts being made to the lessors resulting in wasteful expenditure.

### **Issue 3: Lease Payment Made Using Invalid Date**

Analysis of the Payment Enquiry report with payments made from 1 April 2020 to 31 March 2021 revealed that there is an invalid date which was not an official part of the financial year period was used to make a lease payment to the lessor. The total amount of **R 86, 263.68** was made to the asset number 140531 with lease code of 6290 on “1753-01-01” by the Kimberley region.

Breakdown of the payments are as follows:

Lease Id	Asset Code	Region	Amount_expense _total_payment	Date_paid	Pay number
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR13780.00	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157
6290	140531	KIM	ZAR597.31	1753-01-01	ZINTP2009S1001000157

This may lead to lease payments not accounted for in the correct financial year, therefore resulting in inaccurate reporting.

#### **Issue 4: Duplicate payments made to Landlords**

A test to determine whether the system can process lease code that have been entered than once. The Archibus system is configured to automatically generate and assign unique lease codes and asset codes when a creating a new lease in the system, meaning that a lease code and asset cannot be entered twice. This was evidenced by the lease payment batches selected for the audit period (1 April 2020 to 31 March 2021). To ascertain that the system is reliable, we further requested additional payment batches for the months of April to July 2021.

Through analysis of the lease payment batches for the months of April to July 2021, it was noted that duplicated payments that occurred during these months. Management performed reversals of the duplicated payments for reconciliation purposes. Based on the data provided, we could not establish the cause of these duplicated payments.

This may lead to more than payment being to the landlord and therefore results in wasteful expenditure.

#### **Impact**

The above may result in the following:

- Non – compliance with Treasury Regulation paragraph 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.

#### **Internal control deficiency**

### *Financial and performance management*

Management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

The Archibus system did not adequately detect and reject transactions, which are not within the acceptable parameters of the application controls.

#### **Recommendation**

It is recommended that:

Management must review the effectiveness of the application controls on the systems to prevent deficiencies, which may result in misstated financials and overpayments.

Management should design and implement key controls to ensure that only authorized system overrides are processed.

Management controls should automatically prevent and detect unauthorized transactions.

Management should ensure that the system is configured with the required 15% VAT to ensure that consistent and accurate calculations of the rental amount.

Management should standardise the rules that should be followed in the event that a lease is suspended and communicate these rules to the relevant officials to ensure consistency of application of those rules.

Management should ensure that a correct date is selected and used when making lease payments. In addition, management should consider having the financial period configured in the system to minimise recurrence of this error.

Management should ensure that investigate the cause of the duplicates and take corrective action to minimize recurrence of the same.

#### **Management response:**

Management response not submitted.

#### **Auditor's conclusion**

Management response not submitted. The finding will remain and be reported on the management.

## *Receivables from exchange transactions: Municipal services*

### **PMTE HO COFF 04 - 2020-21 - Differences noted between Annual Financial Statements and supporting schedule**

#### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

#### **Nature**

During the audit of the financial statements submitted on the 31 May 2021, we noted that amounts on the annual financial statement (AFS) did not agree to the amounts on the supporting schedules submitted for Receivables from exchange transactions - Municipal service as outlined in note 3 to the AFS.

As a result, the following difference was noted as disclosed in the table below:

Description	Amount per AFS	Amount per supporting schedule	Differences
Municipal services	R 691 010 000	R 388 996 831	R 302 013 168
<b>Total</b>			<b>R 302 013 168</b>

#### **Impact**

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements

#### **Internal control deficiency**

##### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information. Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

#### **Recommendation**

It is recommended that:

- Management should make the necessary adjustments on the AFS submitted for audit in order to ensure that accurate amounts are presented on the financial statements.
- Management should review the financial statements to ensure that the amounts agree to the amounts as per the supporting schedules.

### **Management response**

I am in agreement. Action plans;

1. Adjust AFS balance to R388 million
2. Issue credit/debit notes to adjust the SAGE balance and link the missing credits in the Municipal Service Portfolio to the No Port.
3. SAGE system misallocation glitches to be investigated and corrected and strengthen controls by always making sure that manual transaction are reviewed on the basis of SAGE transaction listing on a monthly basis

### **Auditor's conclusion**

Management's response is noted. After auditing the extract of the adjusted AFS presentation, the matter will be resolved as a material adjustment.

## **PMTE HO COFF 52 - 2020-21 - Impairment provision on receivables for municipal services calculated incorrectly**

### **Laws and Regulations**

Public Finance Management Act (PFMA) section 38(1)(a)(i) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognized Accounting Practice (GRAP 1), paragraph 17 states that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

Standards of Generally Recognized Accounting Practice (GRAP 104), paragraph 46 states that “*All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64.*”

Standard of Generally Recognized Accounting Practice (GRAP 104), paragraph 57 states that “*An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss*”

Standard of Generally Recognized Accounting Practice (GRAP 104), paragraph 61 states that “*If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.*”

## Nature

During the audit of the financial statements submitted on the 31 May 2021, we noted that the Municipal services (F500) impairment provision was misstated due to the usage of an incorrect input in calculating the present value of expected future cashflows. Upon inspecting other receivable impairment calculations (F100 to F400) for consistency, we noted that the other accounts calculated the present value of expected future cashflows using the interest rate of 7% provided by the national treasury and the weighted average months as per formula 1 below:

Formula1:  $PV = FV / (1+i)^n$

PV= Present value of expected future cashflows

FV= Expected Payment

i= 12% / 12

n= Weighted average months

Weighted average months is calculated using the average days factoring in the 30-day grace period and converted into months as per formula 2 below:

Formula 2:  $W = (AVD - GP) / 365 * 12$

W= Weighted average months (input "n" of formula 1)

AVD= Average days outstanding

GP= 30 (Grace period)

The final calculation of the present value of expected future cashflows for municipal services incorrectly uses Average days outstanding (AVD) instead of Weighted average months (input "n" of formula 1).

As a result, the following difference was noted as disclosed in the table below:

Description	Impairment calculation as per the F500 Municipal Services Schedule	Amount as the Auditors recalculation using the correct inputs	Differences
Municipal services	R 3 570 435 480.11	R 3 373 112 538.82	R 197 322 941.29
<b>Total</b>			<b>R 197 322 941.29</b>

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 1 resulting in Receivables from exchange transactions: Municipal services, that are not fairly presented to the users of the financial statements
- Non-compliance with paragraphs 57 to 64 of GRAP 104 resulting in the overstatement of the impairment expenditure and provision which ultimately results in the underestimation of the Receivables from exchange transactions: Municipal services' net balance by R197 322 941.29

## Internal control deficiency

*Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management used an incorrect input (Average days outstanding) when calculating the present value of expected future cashflows, instead of using the Weighted average months.

Management did not adequately review the schedules and ensure that the inputs used in calculating the impairment provision are reliable, relevant and complete.

### **Recommendation**

It is recommended that:

- Management should make the necessary adjustments on the AFS submitted for audit in order to ensure that accurate amounts are presented on the financial statements.
- Management should review the supporting schedules to ensure that the amounts are accurate prior to transferring the calculations to the annual financial statements.

### **Management response**

I am in agreement. Action plans:

1. Adjust AFS
2. Impairment to be reduced by R197 322 941.29.
3. NPV is recalculated by weighted monthly average instead of average days for the entire population. We will explore automatic calculation by SAGE to avoid recurrence
4. DR Impairment Provision
5. CR Impairment Loss
6. Recalculation and Adjustment Illustration attached, highlighted in green (Line 76, 102 &103).

### **Auditor's conclusion**

Management's response is noted.

After auditing the proposed adjusting journal, we resolve the matter as a material adjustment.

## PMTE HO COAF 60 - Incorrect Classification of Debtors with credit balances

### Requirements

The Public Finance Management Act 40(1)(a) and 40 (1)(b) state the following:

- "40(1) The accounting officer for a department, trading entity or constitutional institution -
- Must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;
  - Must prepare financial statements for each financial year in accordance with generally recognized accounting practice;

The Public Finance Management Act 40(3)(a) state the following:

"The annual report and audited financial statements referred to in subsection (1) (d) must  
(a) fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;"

GRAP 1.17 states the following:

"1.17 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation."

### Nature

During the audit of financial statements, we noted that the following debtors' accounts have net credit balances. The disclosure of debtors with credit balances are generally disclosed under payables as per the GRAP standards, however we noted that management has not done so.

Account number	Description	Amount
903870	Freehold inter-gov : Rec:Dom:Clm:N/Pace:Claim Reco	-5 397 056,14
3872	Municipal services : Rec:Dom:Clm:Recov Mun Srv:Dpw	-452 141 038,31
2956	Other debtors : Debt Control:Ca	-1 225 447,66
<b>TOTAL</b>		<b>-458 763 542,11</b>

### Impact

These may result in an understatement of:

- Non-compliance with the Public Finance Management Act par.40 and GRAP par.1.17 as financial statements do not present fairly the financial position, financial performance and cash flows of the entity.
- Receivables from the exchange transactions by R458 763 542,11; and
- Payables from the exchange transactions by R458 763 542, 11.

### Internal control deficiency

*Financial and performance management*

Management did not prepare regular, accurate, and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not appropriately review the annual financial statements and the trial balance to ensure that the accounts are classified, presented, and disclosed appropriately in the financial statements.

**Recommendation**

- Management should ensure that sufficient reviews are performed to ensure that the annual financial statements are correctly classified.
- Management should reclassify these accounts to the relevant sections to ensure that they are presented and disclosed appropriately and submit the adjusted financial statements.
- Management should provide clarity on the nature of the balances and disclosure thereof.

**Management response:**

I am in agreement with the finding.

**Auditor's conclusion**

Management's response is noted.

After auditing the proposed adjusting journal, we will resolve the matter as a material adjustment.

## **PMTE HO COFF 64 - 2020-21 – receivables balances not considered for impairment**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

The accounting policy note for impairment of receivables measured at cost states that “*At each end of the reporting period, the PMTE assesses all receivables to determine whether there is objective evidence that the asset or group of assets have been impaired.*”

## **Nature**

During the audit of the financial statements submitted on the 31 May 2021, we noted that some receivables balances have not been considered for impairment. This may result in these balances not fairly presenting the financial position of the entity.

See balances in question as disclosed in the table below:

No .	Debtor description	Amount per AFS	Considered for Impairment
1	Municipal deposits	20 062 480,01	No
2	Implementing agents	48 569 647,15	No
3	Prepaid expenses - implementing agents	775 490 197,76	No
4	Prepaid expenses - other	92 026 530,94	No
5	Prepaid expenses - municipal services	1 371 786,57	No
6	Prepaid expenses - municipal services and property rates (backlog)	468 628 172,22	No
7	Creditors with debit balances	213 935 531,55	No

## **Impact**

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not assess receivables balances for the probability of impairment.

## **Recommendation**

It is recommended that:

- Management should consider all balances for the probability of impairment.
- Management should provide reasons why all these balances have not been considered for impairment.

## **Management response**

I am in agreement with the finding.

## **Auditor's conclusion**

Management's response is noted.

After auditing the proposed adjusting journal, we will resolve the matter as a material adjustment.

## **PMTE HO COFF 61 - Differences noted between prepaid expense - Implementing agent schedule and external confirmation**

### **Laws and Regulations**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

## Nature

During the audit of the financial statements submitted on the 31 May 2021, we noted that amounts on the prepaid implementing agents schedule did not agree to the amounts on the implementing agent confirmation submitted for Receivables from exchange transactions: Prepaid expenses-implementing agents.

As a result, the following differences were noted as disclosed in the table below:

Implementing Agent	WCS Number	As per Schedules	As per Confirmation	Differences
IDT	33647	R 13 002 875.00	R 13 664 803.71	-R 661 928.80
IDT	43939	R 18 064 493.00	R 17 160 301.40	R 904 192.35
IDT	52536	R 6 322 349.00	R 6 454 149.70	-R 131 800.10
IDT	53590	R 5 353 613.00	R 13 700 516.38	-R 8 346 903.49
GTAC	No WCS	R 59 743 093.00	R 62 745 014.80	-R 3 001 920.80
<b>TOTAL</b>		<b>R 102 486 422.00</b>	<b>R 113 724 782.63</b>	<b>-R 11 238 360.16</b>

## Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- The implementing agents balance is understated by R 11 238 360.16

## Internal control deficiency

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## Recommendation

It is recommended that:

- Management should make the necessary adjustments on the AFS submitted for audit in order to ensure that accurate amounts are presented on the financial statements.
- Management should review the financial statements to ensure that the amounts agree to the amounts as per the supporting schedules.

## Management response

Management agrees with the audit finding.

Management assessed the sum of the errors not to be material.

## Auditor's conclusion

Management's response is noted. The finding will remain and evaluated with other misstatements.

## **PMTE HO COFF 62 - Scope Limitation - Implementing agents - Account confirmation**

### **Requirements**

Public Finance Management Act (PFMA) section 40 (1) (a) states that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Furthermore, Section 41 states that “*An accounting officer of a trading entity must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 15 of the Public Auditing Act states that the Auditor-General has at all reasonable times full-unrestricted access to -

- “(a) Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- “(b) Any of the assets of or under the control of the auditee; or
- “(c) Any staff member or representative of the auditee...”

### **Nature**

During the audit of receivables from exchange transactions : Prepaid expenses: Implementing agents, a request for information was issued on 10 June 2021 requesting Implementing agent confirmations supporting the amount disclosed on the annual financial statement (AFS).

The following requested Implementing agent's confirmations information was not received:

RFI Number	RFI issue date	RFI Due Date	Implementing Agent	WCS	Amount R
RFI 105	10 Jun 21	15 Jun 21	GTAC	52081	21 775 522,28
RFI 105	10 Jun 21	15 Jun 21	GTAC	52376	161 000 000.00

### **Impact of the finding**

- Non-compliance with the PFMA section 41.
- Limitation of scope as we were unable to obtain sufficient and appropriate audit evidence to confirm the balance and this can lead in unfavorable audit outcomes.
- Increased time spent to request and collect audit documentation may result in delays in finalising the audit and increase in the audit fee.

### **Internal control deficiency**

#### ***Financial and performance management***

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

### **Recommendation**

Management should ensure that GTAC urgently provides the confirmations sent on RFI 101.

### **Management response**

I am not in agreement with the finding. However, the information was subsequently submitted.

### **Auditor's conclusions**

The confirmations have been subsequently received and assessed.  
Therefore the limitation has been resolved.

We wish to bring it to management's attention that the implementing agent has confirmed a different amount from those that management has disclosed on the AFS. This resulted in difference below which will be accumulated with other misstatements:

RFI Number	Implementing Agent	WCS	Amount R	Confirmed balance	Difference
RFI 105	GTAC	52081	21 775 522,28	21 101 117,76	674 404,52
RFI 105	GTAC	52376	161 000 000,00	161 000 000,00	0

## **PMTE HO COFF 63 - 2020-21 -Management fees on Municipal Services misstated**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

## **Nature**

During the audit of the financial statements submitted on the 31 May 2021, we noted that amounts on the annual financial statement (AFS) did not agree to the amounts on the supporting schedules submitted for Revenue from exchange transactions – Management Fees on Municipal Services

As a result, the following difference was noted as disclosed in the table below:

Description	Amount per AFS	Amount per supporting schedule	Differences
Management fees on municipal services	R 201 134 000.00	R 201 552 291.34	R 418 291.34
<b>Total</b>			<b>R 418 291.34</b>

## **Impact**

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Management fees on municipal services is understated by R 418 291.

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## **Recommendation**

It is recommended that:

- Management should make the necessary adjustments on the AFS submitted for audit in order to ensure that accurate amounts are presented on the financial statements.
- Management should review the financial statements to ensure that the amounts agree to the amounts as per the supporting schedules.

## **Management response**

Management response not submitted.

## **Auditor's conclusion**

Management response not submitted. The finding will remain and be reported

## *Immovable assets*

### **PMTE HO COAF 07 - Immovable assets: Incorrect AVL rates applied to value land**

#### **Requirement**

Section 40 of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution –*

- (a) *must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*
- (b) *must prepare financial statements for each financial year in accordance with generally recognized accounting practice”*

Generally Recognised Accounting Practice (GRAP) 17 paragraph 38 states that: “*If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....”*

Directive 7 paragraph 6 states that: “*When an entity initially recognises or acquires an asset using the Standards of GRAP, it measures such assets using either cost or fair value (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP or on the transfer date or the merger date (initial acquisition), acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP or on the transfer date or the merger date (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date...”*

Section 4.3.3 of the Model for applying deemed cost states that; “*use the comparable method to value the land – calculate average vacant land value per average extent for each town using the MVRs (vacant land value/ vacant land extent)*”.

## Nature

According to the Model of applying Deemed cost position paper, the average vacant land ratio (AVL) method will be used to value land where no MVR values are available. Furthermore, where no MVR values are available the following assumptions have been taken into account:

- *Land will be valued by Vacant Land Ratios. The AVL has been derived by taking the major metropolitan areas and property strong holdings of PMTE into account:*
  - *Land is divided into two lots: Smaller than 10,000sqm and larger than 10,000sqm. This is in order to determine what is most likely to be residential (<10,000sqm), and what is farm land/ agricultural land (>10,000sqm).*
    - *The available vacant land in the 2 groups has been further divided into 4 areas (GP, KZN, WC and other). The municipalities used to create the groupings are as follows:*
    - *GP - City of Johannesburg Metropolitan Municipality, City of Tshwane Metropolitan Municipality and Ekurhuleni Metropolitan Municipality*
    - *KZN - Msunduzi Local Municipality and eThekini Metropolitan Municipality*
    - *WC - City of Cape Town Metropolitan Municipality, Saldanha Bay Local Municipality, Drakenstein Local Municipality and Stellenbosch Local Municipality. The AVL is then further divided into greater than and less than 10,000 sqm groups*

During the audit of immovable assets register (land), the following inconsistencies were identified for land parcels valued through AVL:

**Note:** In calculating the differences documented below, the following should be noted:

- The land infrastructure impact was not taken into account.
- Differences below R10 000 were not included in the finding.

### **Issue 01**

The following land parcels located in the **Western Cape** area were incorrectly valued using an AVL rate allocated to "Other" areas rate instead of the Western Cape AVL rate:

Unique Property Code_2021	Property Description	Local Municipality (as per deeds aktex)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
S42_31032015_00870	FARM 584 PAARL	DRAKENSTEIN	125 435 731	688 414 753	(562 979 023)
S 42_31032015_00908	FARM 523 PAARL	DRAKENSTEIN	70 679 040	387 899 790	(317 220 750)

<b>Unique Property Code_2021</b>	<b>Property Description</b>	<b>Local Municipality (as per deeds aktex)</b>	<b>Land value as per Immovable assets Register (R)</b>	<b>Recalculated Deemed cost value (R)</b>	<b>Differences (R)</b>
S42_31032015_00874	FARM 1023 PAARL	STELLENBOSCH	46 933 310	257 578 783	(210 645 473)
S42_31032015_00875	FARM 1031 PAARL	DRAKENSTEIN	30 171 718	165 588 034	(135 416 316)
S42_31032015_00868	FARM 16 PAARL	DRAKENSTEIN	19 322 959	106 048 013	(86 725 054)
S42_31032015_00889	FARM 0 STELLENBOSCH	STELLENBOSCH	13 457 268	73 856 001	(60 398 734)
733261	PORTION 3 OF FARM 874 ZACHARIASHOEK PAARL RD	MUNICIPALITY DRAKENSTEIN	9 293 932	51 522 058	(42 228 126)
S42_31032015_00871	FARM 587 PAARL	DRAKENSTEIN	5 862 931	32 176 864	(26 313 933)
S42_31032015_00872	FARM 0 PAARL	DRAKENSTEIN	3 133 371	17 196 528	(14 063 157)
S42_31032015_00869	FARM 228 PAARL	DRAKENSTEIN	2 061 005	11 311 181	(9 250 176)
S42_31032015_00913	FARM 223 PAARL	DRAKENSTEIN	927 009	5 087 601	(4 160 592)
S42_31032015_00887	FARM 46 PAARL	STELLENBOSCH	758 201	4 161 150	(3 402 949)
S42_31032015_00877	FARM 1338 PORTION 1 PAARL	DRAKENSTEIN	411 822	2 260 156	(1 848 334)
S42_31032015_00786	FARM 15 PORTION 6 CALEDON	STELLENBOSCH	365 421	2 025 756	(1 660 335)
S42_31032015_00792	PORTION 22 OF FARM 86 VYGEBOOM CALEDON RD	STELLENBOSCH	326 983	1 794 546	(1 467 563)
S42_31032015_00878	FARM 1339 PORTION 6 PAARL	STELLENBOSCH	325 963	1 788 945	(1 462 982)
S42_31032015_00907	FARM 58 PAARL	DRAKENSTEIN	258 640	1 419 463	(1 160 823)
167333658	FARM 173 PORTION 14 OF NIETVOORBIJB	Stellenbosch Local Municipality	184 558	1 012 886	(828 329)
S42_31032015_00876	FARM 1200 PAARL	STELLENBOSCH	57 930	317 933	(260 003)
719251	ERF 3330 VREDENBURG	VREDENBURG-SALDANHA MUN	25 932	143 758	(117 826)
<b>Total</b>					<b>(1 481 610 475)</b>

**Impact**

The property plant and equipment (land) have been understated by an amount of R1 481 610 475.

**Internal control deficiency***Financial and Performance Management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Furthermore, management did not prepare accurate and valid AVL rates to be used in determining land values where MVR values are not available.

**Recommendation**

It is recommended that Management ensure that land valued accurately based on the region that it is allocated to.

Management ensures that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management to re-assess the value of the land population measured through AVL where MVR values are not available.

**Management response**

Management are in agreement with the AGSAs finding. An adjustment shall be passed that is equal to the AGSA's finding including amounts below R10 000.

**Auditor's conclusion**

Management's comments are noted. The finding will be reported in the management report.

## **PMTE HO COFF 06 - Properties incorrectly included in the AVL Masterfile resulting in incorrect AVL rates used**

### **Requirement**

Section 40 of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution –*

- (c) *must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*
- (d) *must prepare financial statements for each financial year in accordance with generally recognized accounting practice”*

Paragraph 38 of the Generally Recognised Accounting Practice (GRAP) 17 states that: “*If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....”*

Section 4.3.3 of the Model for applying deemed cost states that; “*use the comparable method to value the land – calculate average vacant land value per average extent for each town using the MVRs (vacant land value/ vacant land extent)*”.

## Nature

During the audit of AVL ratios, the following inconsistencies were identified which resulted in auditors obtaining different AVL ratios to value land:

The following land parcels listed below were indicated to have no land extents associated to them but were taken into consideration in determining the AVL rates:

Unique Property Code	Parent ID	Site ID	Property Description	LPI Code (as per deeds aktex)	GRAP Extent used in AVL Rates submitted	land_value (R.)
DEEDS66712	-	100000038769	ERF 756 PORTION 0 OF ROODEPOORT	T0IQ03520000075600000	No extent now consolidated	5 841 000,00
703631	-	100000016135	FARM 454 PORTION 0 OF STELLENBOSCH RD-WIMBLEDON	C06700000000045400000	Not Found	2 985 715,20

Furthermore, the following land parcels listed below were indicated to have been removed from the Immovable Asset Register (Land) but were taken into account when determining the AVL rates:

Unique Property Code	Parent ID	Site ID	Property Description	LPI Code (as per deeds aktex)	GIS Source of Extent	land_value (R)
1096911	-	100000022497	ERF 4076 PORTION 36 OF RESERVOIR HILLS	N0FT02760000407600036	Remove from IAR	310 000,00
DEEDS175594	-	100000043194	ZEBEDIELA HOLDINGS 499 PORTION 0	T0KS00090000049900000	Remove from IAR	160 261,20
DEEDS175597	-	100000043197	ZEBEDIELA HOLDINGS 500 PORTION 0	T0KS00090000050000000	Remove from IAR	160 261,20
DEEDS175632	-	100000043230	ZEBEDIELA HOLDINGS 544 PORTION 0	T0KS00090000054400000	Remove from IAR	160 261,20
DEEDS175661	-	100000043259	ZEBEDIELA HOLDINGS 588 PORTION 0	T0KS00090000058800000	Remove from IAR	161 880,00
DEEDS175662	-	100000043260	ZEBEDIELA HOLDINGS 589 PORTION 0	T0KS00090000058900000	Remove from IAR	161 880,00
DEEDS175670	-	100000043268	ZEBEDIELA HOLDINGS 596 PORTION 0	T0KS00090000059600000	Remove from IAR	160 261,20
DEEDS175711	-	100000043305	ZEBEDIELA HOLDINGS 634 PORTION 0	T0KS00090000063400000	Remove from IAR	160 261,20
DEEDS175712	-	100000043306	ZEBEDIELA HOLDINGS 635 PORTION 0	T0KS00090000063500000	Remove from IAR	160 261,20
DEEDS175713	-	100000043307	ZEBEDIELA HOLDINGS 636 PORTION 0	T0KS00090000063600000	Remove from IAR	160 261,20
DEEDS175721	-	100000043313	ZEBEDIELA HOLDINGS 643 PORTION 0	T0KS00090000064300000	Remove from IAR	160 261,20

<b>Unique Property Code</b>	<b>Parent ID</b>	<b>Site ID</b>	<b>Property Description</b>	<b>LPI Code (as per deeds aktex)</b>	<b>GIS Source of Extent</b>	<b>land_value (R)</b>
DEEDS175768	-	10000004 3353	ZEBEDIELA HOLDINGS 688 PORTION 0	T0KS00090000068800 000	Remove from IAR	160 261,20
DEEDS175769	-	10000004 3354	ZEBEDIELA HOLDINGS 689 PORTION 0	T0KS00090000068900 000	Remove from IAR	160 261,20
DEEDS175771	-	10000004 3356	ZEBEDIELA HOLDINGS 690 PORTION 0	T0KS00090000069000 000	Remove from IAR	160 261,20
DEEDS175772	-	10000004 3357	ZEBEDIELA HOLDINGS 691 PORTION 0	T0KS00090000069100 000	Remove from IAR	160 261,20
DEEDS175773	-	10000004 3358	ZEBEDIELA HOLDINGS 692 PORTION 0	T0KS00090000069200 000	Remove from IAR	160 261,20
DEEDS175914	-	10000004 3480	ZEBEDIELA HOLDINGS 830 PORTION 0	T0KS00090000083000 000	Remove from IAR	161 880,00
DEEDS175915	-	10000004 3481	ZEBEDIELA HOLDINGS 831 PORTION 0	T0KS00090000083100 000	Remove from IAR	161 880,00

The exclusion of the above-mentioned land parcels from determining the AVL rates will result in the following AVL rate differences:

	<b>Management's AVL Rate (R)</b>	<b>Recalculated AVL Rate (R)</b>	<b>Difference (R)</b>
<b>Above</b>			
other	7 182,34	7 162,54	19,80
WP	39 776,41	39 418,04	358,36
<b>Below</b>			
GP	1 762 936,70	1 635 076,17	127 860,53
KZN	1 637 775,60	1 630 005,97	7 769,63

## Impact

This will result in the following overstatement of land parcels measured through AVL due to high AVL rates used:

**Note:** In calculating the differences documented below, the following should be noted:

- The land infrastructure impact was not taken into account.
- Differences below R10 000 were not included in the finding.

### Western Cape region – Above 10 000sqm

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
3169401	C06700000000015500000	FARM 155 STELLENBOSCH	4 132,20	164 364 115,97	162 883 293,63	1 480 822,34
739181	C01300000000009300000	FARM 93 MOORDENAARS KLOOF CALEDON RD	2 040,70	81 171 894,74	80 440 584,54	731 310,20
728671	C01300000000009400000	FARM 94 VERGELEN CALEDON RD	1 512,43	60 159 141,14	59 617 143,27	541 997,87
780521	C01600000000054400000	REMAINDER OF FARM 544 DRIFT SANDS CAPE RD	1 234,67	49 110 826,71	48 668 367,55	442 459,16
746551	C01300000000001500002	REMAINDER OF PORTION 2 OF FARM 15 AMANDEL RIVIER CALEDON RD	1 198,28	47 663 108,73	47 233 692,64	429 416,09
S42_31032015_00890	C06700000000083500000	FARM 835 STELLENBOSCH	1 179,95	46 934 054,94	46 511 207,19	422 847,75
729941	C05500000000013500000	REMAINDER OF FARM 1135 PURGATORY OUTSPAN PAARL RD	1 076,78	42 830 300,33	42 444 424,96	385 875,37
702901	C01300000000030000000	REMAINDER OF FARM 300 GRIETJES GAT CALEDON RD	927,35	36 886 483,07	36 554 157,92	332 325,15
S42_31032015_00800	C01300000000030000002	FARM 300 PORTION 2 CALEDON	927,35	36 886 483,07	36 554 157,92	332 325,15
602292	C01600000000003200000	REMAINDER OF FARM 32 BRAKKE FONTEIN CAPE RD	925,69	36 820 736,64	36 489 003,84	331 732,80
735981	C01300000000001500000	REMAINDER OF FARM 15 AMANDEL RIVIER CALEDON RD	897,89	35 714 980,40	35 393 209,80	321 770,60
699171	C01600000000090800000	FARM 908 TOKAI CAPE RD	702,12	27 927 957,37	27 676 343,19	251 614,18

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
628181	C01600000000101300000	FARM 1013 CAPE RD	661,78	26 323 210,09	26 086 053,72	237 156,37
735581	C01300000000001400002	PORTION 2 OF FARM 14 PALMIET VALLEY CALEDON RD	593,03	23 588 598,09	23 376 078,93	212 519,16
3137141	C05500000000058200000	REMAINDER OF FARM 582 DALJOSAPHAT FOREST RESERVE PAARL RD	567,95	22 590 902,40	22 387 371,89	203 530,51
741181	C01300000000001500003	PORTION 3 OF FARM 15 AMANDEL RIVIER CALEDON RD	551,37	21 931 505,06	21 733 915,32	197 589,74
2766943	C04600000000028400000	REMAINDER OF FARM 284 KLIPVLEI MALMESBURY RD	493,36	19 624 184,41	19 447 382,25	176 802,16
607891	C016000000000143600000	FARM 1436 CAPE RD	475,84	18 927 240,84	18 756 717,73	170 523,11
S42_31032015_00801	C01300000000030200000	FARM 302 CALEDON	461,92	18 373 537,36	18 208 002,78	165 534,58
736621	C0130000000000000000000	FARM 7 OF CALEDON RD-TWIST NIET	396,69	15 778 893,62	15 636 735,23	142 158,39
711611	C01300000000001400000	REMAINDER OF FARM 14 PALMIET VALLEY CALEDON RD	390,25	15 522 698,70	15 382 848,47	139 850,23
735191	C01300000000008200008	REMAINDER OF PORTION 8 OF FARM 82 KLIPFONTEIN CALEDON RD	354,76	14 111 117,58	13 983 984,85	127 132,73
704551	C016000000000123800000	FARM 1238 CAPE RD	335,33	13 338 312,56	13 218 142,34	120 170,22
737541	C055000000000100600002	PORTION 2 OF FARM 1006 MEERLUST PAARL RD	314,64	12 515 391,59	12 402 635,40	112 756,19
787281	C04600000000030400001	PORTION 1 OF FARM 304 HOPEFIELD MALMESBURY RD	314,51	12 510 110,95	12 397 402,32	112 708,63
DD_31032017_158642	C01600190004020100000	ERF 40201 GOODWOOD	283,50	11 276 682,71	11 175 086,54	101 596,17
758901	C01300000000007900002	PORTION 2 OF FARM 79 ZWART STOMP CALEDON RD	281,83	11 209 985,63	11 108 990,36	100 995,27
710301	C01600000000097100000	REMAINDER OF FARM 971 ELSJES RIVIER CAPE RD	280,30	11 149 274,90	11 048 826,60	100 448,30
603961	C01600000000097000000	FARM 970 OF CAPE RD-ELSJES RIVIER	280,30	11 149 273,54	11 048 825,26	100 448,28
708731	C01300000000028900002	PORTION 2 OF FARM 289 JAGERS VLAKTE CALEDON RD	276,20	10 986 247,32	10 887 267,81	98 979,51
3123341	C01300000000008800000	REMAINDER OF FARM 88 CALEDON RD	212,80	8 464 451,02	8 388 191,38	76 259,64

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
788991	C01300000000008 100015	PORTION 15 OF FARM 81 RUS VALEY CALEDON RD	210,02	8 353 896,48	8 278 632,87	75 263,61
748751	C01300000000002 000009	PORTION 9 OF FARM 20 BOSJESMANS KLOOF CALEDON RD	210,02	8 353 653,84	8 278 392,42	75 261,42
3150261	C01300000000087 400000	FARM 874 CALEDON RD	208,85	8 307 346,15	8 232 501,93	74 844,22
716231	C07500000000020 000000	REMAINDER OF FARM 200 TULBAGH RD	207,32	8 246 436,62	8 172 141,16	74 295,46
736781	C01300000000008 200011	PORTION 11 OF FARM 82 KLIPFONTEIN CALEDON RD	206,04	8 195 335,79	8 121 500,72	73 835,07
620791	C05500000000089 900000	REMAINDER OF FARM 899 VICTOR VERSTER PAARL RD	203,76	8 104 939,93	8 031 919,27	73 020,66
3008401	C06700000000085 100000	FARM 851 OUTSPAN STELLENBOSCH RD	202,39	8 050 223,51	7 977 695,81	72 527,70
3123291	C01300000000009 600000	FARM 96 TEGENSPOED CALEDON RD	199,25	7 925 305,71	7 853 903,44	71 402,27
S42_31032015 _00794	C01300000000009 500001	FARM 95 PORTION 1 CALEDON	184,45	7 336 781,96	7 270 681,94	66 100,02
749641	C01300000000002 000010	PORTION 10 OF FARM 20 BOSJESMANS KLOOF CALEDON RD	181,16	7 205 917,58	7 140 996,58	64 921,00
708251	C01300000000028 700006	REMAINDER OF PORTION 6 OF FARM 287 KLEINE WESSELS GAT CALEDON RD	178,71	7 108 397,77	7 044 355,36	64 042,41
741581	C01300000000007 000034	REMAINDER OF PORTION 34 OF FARM 70 ZEEKOEKRAAL CALEDON RD	165,54	6 584 717,52	6 525 393,15	59 324,37
593902	C01600070002800 200000	REMAINDER OF ERF 28002 CAPE TOWN	162,22	6 452 415,72	6 394 283,31	58 132,41
745231	C01300000000007 700007	PORTION 7 OF FARM 77 KALE RUGGEN CALEDON RD	153,17	6 092 460,62	6 037 571,20	54 889,42
628691	C01600070002120 400000	REMAINDER OF ERF 21204 CAPE TOWN	152,43	6 062 926,64	6 008 303,30	54 623,34
704621	C05500000000088 800001	PORTION 1 OF FARM 888 LAPARISA PAARL RD	149,53	5 947 901,23	5 894 314,20	53 587,03
603612	C01600000000024 500007	FARM 245 PORTION 7 OF CAPE RD-MONTAGUE GARDENS	137,46	5 467 561,35	5 418 301,90	49 259,45
S42_31032015 _00795	C01300000000009 700001	FARM 97 PORTION 1 CALEDON	136,67	5 436 324,94	5 387 346,91	48 978,03
DD_20180331 _110956	C01600000000087 500000	REMAINDER OF FARM 875 KIRSTENBOSCH CAPE RD	130,33	5 184 055,02	5 137 349,79	46 705,23

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>Land Extent as per Immovable assets register (IAR)</b>	<b>Land value as per Immovable assets Register (R)</b>	<b>Recalculated Deemed cost value (R)</b>	<b>Differences (R)</b>
763351	C013000000000000 500012	PORTION 12 OF FARM 5 ELANDS KLOOF CALEDON RD	121,22	4 821 855,04	4 778 413,02	43 442,02
808201	C055000000000089 400000	FARM 894 KLIPBANK PAARL RD	116,91	4 650 068,70	4 608 174,36	41 894,34
750271	C01300000000007 500000	REMAINDER OF FARM 75 BIER RIVIER OUTSPAN CALEDON RD	116,42	4 630 749,30	4 589 029,02	41 720,28
710051	C01600540000462 500000	REMAINDER OF ERF 4625 SIMON'S TOWN	116,40	4 630 001,50	4 588 287,96	41 713,54
3008381	C06700000000085 800000	FARM 858 OF STELLENBOSCH RD-FARM 858	114,26	4 545 011,26	4 504 063,43	40 947,83
765621	C01300000000006 900004	PORTION 4 OF FARM 69 DENNEHOF CALEDON RD	109,60	4 359 299,20	4 320 024,52	39 274,68
741981	C01300000000007 200061	REMAINDER OF PORTION 61 OF FARM 72 WATERVAL CALEDON RD	109,03	4 337 004,52	4 297 930,70	39 073,82
744811	C01300000000007 000038	PORTION 38 OF FARM 70 ZEEKOEKRAAL CALEDON RD	109,00	4 335 675,99	4 296 614,14	39 061,85
752291	C01300000000006 800002	PORTION 2 OF FARM 68 THEE WATERS KLOOF CALEDON RD	103,77	4 127 701,07	4 090 512,96	37 188,11
624181	C01600070001881 700000	REMAINDER OF ERF 18817 CAPE TOWN	97,41	3 874 659,49	3 839 751,12	34 908,36
795501	C01600110000467 300000	REMAINDER OF ERF 4673 CONSTANTIA	97,14	3 863 788,60	3 828 978,17	34 810,43
777331	C01600000000016 800002	REMAINDER OF PORTION 2 OF FARM 168 CAPE RD	94,75	3 768 730,94	3 734 776,93	33 954,01
711261	C01600000000097 200000	FARM 972 CAPE RD	85,37	3 395 619,50	3 365 026,99	30 592,51
754051	C01300000000006 900001	PORTION 1 OF FARM 69 DENNEHOF CALEDON RD	80,96	3 220 433,07	3 191 418,90	29 014,17
704411	C01300000000007 000010	REMAINDER OF PORTION 10 OF FARM 70 ZEEKOEKRAAL CALEDON RD	80,91	3 218 412,43	3 189 416,46	28 995,97
771871	C01300000000045 900000	REMAINDER OF FARM 459 DRAAIBERG CALEDON RD	75,51	3 003 409,02	2 976 350,10	27 058,92
751831	C01300000000007 600000	FARM 76 BIER RIVIER CALEDON RD	74,95	2 981 106,39	2 954 248,41	26 857,98
661423	C01600070004421 400000	REMAINDER OF ERF 44214 CAPE TOWN	74,21	2 951 826,98	2 925 232,78	26 594,20
725231	C01300000000002 100013	PORTION 13 OF FARM 21 OU WERF CALEDON RD	73,69	2 931 246,67	2 904 837,89	26 408,78

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
DEEDS4565	C01600000000024500056	FARM 245 PORTION 56 OF CAPE RD-MONTAGUE GARDENS	72,77	2 894 541,00	2 868 462,92	26 078,08
DD_31032017_153893	C01600070017807300000	ERF 178073 CAPE TOWN	72,77	2 894 541,00	2 868 462,92	26 078,08
756911	C01300000000032000000	REMAINDER OF FARM 320 MOEDIG CALEDON RD	70,15	2 790 490,88	2 765 350,23	25 140,65
708861	C01600000000096300000	REMAINDER OF FARM 963 CAPE RD	69,91	2 780 943,56	2 755 888,92	25 054,64
718931	C01600070004616200000	ERF 46162 CAPE TOWN	67,17	2 671 864,72	2 647 792,82	24 071,90
742781	C01300000000007800003	PORTION 3 OF FARM 78 GLORIA CALEDON RD	66,06	2 627 589,61	2 603 916,60	23 673,01
743981	C01300000000007000037	FARM 70 PORTION 37 OF CALEDON RD-ZEEKOEKRAAL	65,10	2 589 444,03	2 566 114,69	23 329,34
759261	C01300000000009700000	FARM 97 NIEUWE BERG CALEDON RD	65,03	2 586 818,79	2 563 513,10	23 305,69
711011	C01300000000007000006	REMAINDER OF PORTION 6 OF FARM 70 ZEEKOEKRAAL CALEDON RD	62,02	2 466 761,66	2 444 537,62	22 224,04
740381	C01300000000008300021	PORTION 21 OF FARM 83 FORTUIN CALEDON RD	61,53	2 447 378,62	2 425 329,20	22 049,42
713091	C01600070001977500000	ERF 19775 CAPE TOWN	60,64	2 411 910,00	2 390 180,13	21 729,87
707831	C07500000000019900001	PORTION 1 OF FARM 199 DOORN BOOM TULBAGH RD	59,61	2 370 968,14	2 349 607,14	21 361,00
738781	C01300000000001500004	PORTION 4 OF FARM 15 AMANDEL RIVIER CALEDON RD	52,65	2 094 036,85	2 075 170,83	18 866,02
709581	C01600000000089500001	PORTION 1 OF FARM 895 BEL OMBRE CAPE RD	52,39	2 084 048,99	2 065 272,96	18 776,03
697731	C01600000000136300000	FARM 1363 CAPE RD	52,13	2 073 428,61	2 054 748,25	18 680,36
DEEDS4656	C01600000000096900000	FARM 969 OF CAPE RD-FARM 969	51,56	2 050 772,59	2 032 296,35	18 476,24
624188	C01600070001977000000	ERF 19770 CAPE TOWN	50,08	1 992 022,30	1 974 075,37	17 946,93
751401	C01300000000008100012	PORTION 12 OF FARM 81 RUS VALEY CALEDON RD	47,56	1 891 940,89	1 874 895,63	17 045,26
773631	C01300000000008300022	PORTION 22 OF FARM 83 FORTUIN CALEDON RD	46,71	1 858 115,03	1 841 374,53	16 740,50

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
638461	C01600070009047 700000	REMAINDER OF ERF 90477 CAPE TOWN	45,01	1 790 359,90	1 774 229,83	16 130,07
3150271	C01300000000087 300000	FARM 873 CALEDON RD	43,90	1 746 096,72	1 730 365,43	15 731,29
608751	C01600540000045 100000	ERF 451 SIMON'S TOWN	43,51	1 730 472,54	1 714 882,02	15 590,52
748361	C01300000000007 200085	PORTION 85 OF FARM 72 WATERVAL CALEDON RD	42,66	1 696 865,46	1 681 577,72	15 287,74
726501	C01600000000077 800000	FARM 778 OF CAPE RD-FARM 778	42,62	1 695 197,49	1 679 924,78	15 272,71
762851	C01300000000007 200084	PORTION 84 OF FARM 72 WATERVAL CALEDON RD	42,54	1 692 036,60	1 676 792,37	15 244,23
732582	C05500000000094 200002	PORTION 2 OF FARM 942 WATERVLIET PAARL RD	42,38	1 685 564,98	1 670 379,05	15 185,93
DEEDS4516	C01600000000122 900000	FARM 1229 CAPE RD	41,97	1 669 418,47	1 654 378,00	15 040,47
737981	C01300000000007 200037	PORTION 37 OF FARM 72 WATERVAL CALEDON RD	41,90	1 666 579,70	1 651 564,82	15 014,88
769801	C01300000000008 300023	PORTION 23 OF FARM 83 FORTUIN CALEDON RD	40,12	1 595 952,72	1 581 574,14	14 378,58
719741	C05500000000052 700035	REMAINDER OF PORTION 35 OF FARM 527 DAL WEIDING PAARL RD	38,63	1 536 753,49	1 522 908,26	13 845,23
720021	C01300000000007 000028	REMAINDER OF PORTION 28 OF FARM 70 ZEEKOEKRAAL CALEDON RD	38,33	1 524 506,34	1 510 771,45	13 734,89
760951	C01300000000058 200004	PORTION 4 OF FARM 582 QUEEN ANNE CALEDON RD	38,12	1 516 208,98	1 502 548,84	13 660,14
706161	C06700000000099 500000	FARM 995 STELLENBOSCH RD	38,01	1 511 777,65	1 498 157,45	13 620,20
616653	C01600000000091 900000	FARM 919 OF CAPE RD-RAPEKRAAL	36,34	1 445 498,46	1 432 475,38	13 023,08
761921	C01300000000045 900002	PORTION 2 OF FARM 459 DRAAIBERG CALEDON RD	35,17	1 398 852,67	1 386 249,84	12 602,83
759991	C01300000000007 000029	REMAINDER OF PORTION 29 OF FARM 70 ZEEKOEKRAAL CALEDON RD	34,76	1 382 822,78	1 370 364,37	12 458,41
748321	C01300000000002 100014	PORTION 14 OF FARM 21 OU WERF CALEDON RD	34,72	1 380 905,56	1 368 464,42	12 441,14
3008391	C06700000000085 200000	FARM 852 OUTSPAN STELLENBOSCH RD	34,41	1 368 587,88	1 356 257,72	12 330,16

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
723261	C01600000000112 800000	REMAINDER OF FARM 1128 CAPE RD	33,57	1 335 107,00	1 323 078,49	12 028,51
DD_31032017 _165562	C01600540000592 000000	ERF 5920 SIMON'S TOWN	33,52	1 333 293,20	1 321 281,02	12 012,18
710561	C01600070001307 200000	REMAINDER OF ERF 13072 CAPE TOWN	33,21	1 320 990,35	1 309 089,02	11 901,33
704651	C01600540000158 000000	ERF 1580 SIMON'S TOWN	32,22	1 281 703,20	1 270 155,82	11 547,38
802401	C01600000000100 800002	PORTION 2 OF FARM 1008 CAPE RD	31,72	1 261 659,75	1 250 292,95	11 366,80
754371	C01600070001466 200000	REMAINDER OF ERF 14662 CAPE TOWN	30,91	1 229 647,82	1 218 569,42	11 078,40
1674821	C04600000000031 400000	FARM 314 OF MALMESBURY-SCHAAPEN ISLAND	27,91	1 110 207,22	1 100 204,92	10 002,30
<b>Total</b>						<b>11 337</b>
<b>Total</b>						<b>337,18</b>

#### Gauteng region - Below 10 000sqm

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
2958561	T0JR000000000487 00076	PORTION 76 OF FARM 487 LEEUWFONTEIN JR	0,9823	1 731 732,72	1 635 076,17	125 597,39
406221	T0JR000000000351 00068	PORTION 68 OF FARM 351 PRETORIA TOWN AND TOWNLANDS JR	0,9767	1 721 860,28	1 635 076,17	124 881,38
2958571	T0JR000000000487 00077	PORTION 77 OF FARM 487 LEEUWFONTEIN JR	0,9722	1 713 927,06	1 635 076,17	124 306,00
3068151	T0IQ050900000006 00000	ERF 6 NASREC	0,9698	1 709 696,01	1 635 076,17	123 999,14
2958581	T0JR000000000487 00078	PORTION 78 OF FARM 487 LEEUWFONTEIN JR	0,9679	1 706 346,43	1 635 076,17	123 756,20
200000077509	T0IR055500000001 00000	ERF 1 RHODESFIELD	0,9376	1 652 929,45	1 635 076,17	119 882,03
3068051	T0IQ050900000004 00000	ERF 4 NASREC	0,9261	1 632 655,68	1 635 076,17	118 411,64

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
D_3132013_474 36	T0IR077800020931 00000	ERF 20931 VOSLOORUS EXT 28	0,8855	1 561 080,45	1 635 076,17	113 220,50
GDID000003	T0IR010400000006 00001	PORTION 1 OF AGRICULTURAL HOLDING 6 BRECKNOCK AH IR	0,8604	1 516 830,74	1 635 076,17	110 011,20
DEEDS141195	T0IQ000000000504 00000	FARM 504 EILAND NO 72 IQ	0,8565	1 509 955,29	1 635 076,17	109 512,55
DEEDS55701	T0IR009300000021 00000	ERF 21 BRAAMFONTEIN WERF	0,8387	1 478 575,01	1 635 076,17	107 236,62
1256961	T0IR000000000092 00563	PORTION 563 OF FARM 92 DOORNFONTEIN IR	0,8365	1 474 696,55	1 635 076,17	106 955,33
DEEDS145007	T0JR0000000000357 00182	PORTION 182 OF FARM 357 ELANDSPOORT JR	0,8337	1 469 760,33	1 635 076,17	106 597,32
2958821	T0JR0000000000485 00108	PORTION 108 OF FARM 485 FIROLAZ JR	0,8166	1 439 614,11	1 635 076,17	104 410,91
D_3132013_136 361	T0JR006500005677 00001	PORTION 1 OF ERF 5677 EERSTERUST EXT 6	0,8116	1 430 799,43	1 635 076,17	103 771,61
GDID000004	T0IR000000000005 00083	PORTION 83 OF FARM 5 WATERVAL IR	0,797	1 405 060,55	1 635 076,17	101 904,84
DEEDS142020	T0IR000000000090 00286	PORTION 286 OF FARM 90 ELANDSFONTEIN IR	0,792	1 396 245,87	1 635 076,17	101 265,54
1610251	T0JR034700004995 00000	ERF 4995 OF EKANGALA-B	0,745	1 313 387,84	1 635 076,17	95 256,09
DEEDS131207	T0JR000800001092 00000	ERF 1092 ARCADIA	0,714	1 258 736,81	1 635 076,17	91 292,42
DEEDS3103201 5_0042061	T0IR026300002108 00000	ERF 2108 GEDULD EXT 4	0,7026	1 238 639,33	1 635 076,17	89 834,81
2959041	T0JR0000000000272 00329	PORTION 329 OF FARM 272 GROOTVLEI JR	0,7508	1 310 376,75	1 635 076,17	82 761,56
3003291	T0JR049500000366 00000	ERF 366 KUDUBE UNIT 1	0,63919	1 126 851,51	1 635 076,17	81 727,17
DEEDS159250	T0JR019900002981 00000	ERF 2981 PRETORIA	0,6262	1 103 950,96	1 635 076,17	80 066,26
DEEDS3103201 5_0066216	T0IR070600000018 00000	ERF 18 VULCANIA	0,607	1 070 102,58	1 635 076,17	77 611,34
DEEDS61702	T0IQ025200000154 00000	ERF 154 MID-ENNERDALE	0,5949	1 048 771,04	1 635 076,17	76 064,22
1276261	T0IR035200002398 00000	ERF 2398 KEMPTON PARK EXT 8	0,5801	1 022 679,58	1 635 076,17	74 171,89

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
480471	TOJR00740000008600000	AGRICULTURAL HOLDING 86 ELLISON AGRICULTURAL HOLDINGS JR	0,559401049	986 188,64	1 635 076,17	71 525,31
1328351	TOIR02930000006500001	PORTION 1 OF AGRICULTURAL HOLDING 65 HALFWAY HOUSE ESTATE AGRICULTURAL HOLDINGS IR	0,5555	979 311,34	1 635 076,17	71 026,53
2959021	TOJR000000000027200327	PORTION 327 OF FARM 272 GROOTVLEI JR	0,5541	976 843,23	1 635 076,17	70 847,52
2958841	TOJR000000000027200321	PORTION 321 OF FARM 272 GROOTVLEI JR	0,5414	954 453,93	1 635 076,17	69 223,69
1542731	TOJR01990000011500000	FARM 115 OF JR-NOT FOUND	0,526193359	927 645,58	1 635 076,17	67 279,36
2627581	TOJR00000000035100070	PORTION 70 OF FARM 351 PRETORIA TOWN AND TOWNLANDS JR	0,5231	922 192,19	1 635 076,17	66 883,84
2814051	TOJR00080000108700000	ERF 1087 ARCADIA	0,5056	891 340,80	1 635 076,17	64 646,29
1344361	TOIR05940000043100000	ERF 431 SAXONWOLD	0,501866	884 757,99	1 635 076,17	64 168,85
D31032014_39065	TOJR00650000463100002	PORTION 2 OF ERF 4631 EERSTERUST EXT 6	0,5	881 468,35	1 635 076,17	63 930,26
1257431	TOIR03100000450600000	ERF 4506 JOHANNESBURG	0,4958	874 064,02	1 635 076,17	63 393,25
2958931	TOJR000000000027200325	PORTION 325 OF FARM 272 GROOTVLEI JR	0,5586	974 928,68	1 635 076,17	61 575,13
200000066886	TOJR00370000046500000	ERF 465 CLUBVIEW EXT 2	0,477131942	841 153,41	1 635 076,17	61 006,34
3068031	TOIQ05090000001000000	ERF 10 NASREC	0,4643	818 531,51	1 635 076,17	59 365,64
3068101	TOIQ05090000000900000	ERF 9 NASREC	0,4643	818 531,51	1 635 076,17	59 365,64
2959031	TOJR000000000027200328	PORTION 328 OF FARM 272 GROOTVLEI JR	0,5371	937 404,57	1 635 076,17	59 205,16
DEEDS58505	TOIR03100000435400003	PORTION 3 OF ERF 4354 JOHANNESBURG	0,459	809 187,95	1 635 076,17	58 687,99
GDID000002	TOJR00000000052400077	PORTION 77 OF FARM 524 KLIPEILAND JR	0,5321	928 678,03	1 635 076,17	58 654,00
3027601	TOJR00000000047500050	PORTION 50 OF FARM 475 0 JR	0,5273	920 300,55	1 635 076,17	58 124,88

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
DEEDS70332	T0IR072200000288 00000	ERF 288 WEST GERMISTON	0,4461	786 446,06	1 635 076,17	57 038,58
200000066885	T0JR003700000464 00000	ERF 464 CLUBVIEW EXT 2	0,444744864	784 057,04	1 635 076,17	56 865,31
419771	T0JR0000000000475 00032	PORTION 32 OF FARM 475 0 JR	0,432	761 588,66	1 635 076,17	55 235,75
DEEDS 180104	T0JR0000000000358 00122	PORTION 122 OF FARM 358 GROENKLOOF JR	0,4281	754 713,20	1 635 076,17	54 737,09
DEEDS 180103	T0JR0000000000358 00121	PORTION 121 OF FARM 358 GROENKLOOF JR	0,4222	744 311,88	1 635 076,17	53 982,72
3068021	T0IQ050900000002 00000	ERF 2 NASREC	0,4115	725 448,45	1 635 076,17	52 614,60
DEEDS58074	T0IR031600001899 00000	ERF 1899 HOUGHTON ESTATE	0,409	721 041,11	1 635 076,17	52 294,96
DEEDS141969	T0IR0000000000076 00006	PORTION 6 OF FARM 76 MODDERFONTEIN IR	0,4044	712 931,60	1 635 076,17	51 706,80
DEEDS58063	T0IR031600001812 00000	ERF 1812 HOUGHTON ESTATE	0,396536	699 067,87	1 635 076,17	50 701,30
DEEDS58065	T0IR031600001814 00000	ERF 1814 HOUGHTON ESTATE	0,396536	699 067,87	1 635 076,17	50 701,30
DEEDS58072	T0IR031600001897 00000	ERF 1897 HOUGHTON ESTATE	0,396536	699 067,87	1 635 076,17	50 701,30
DEEDS58064	T0IR031600001813 00000	ERF 1813 HOUGHTON ESTATE	0,3965	699 004,40	1 635 076,17	50 696,70
DEEDS58066	T0IR031600001815 00000	ERF 1815 HOUGHTON ESTATE	0,3965	699 004,40	1 635 076,17	50 696,70
DEEDS58067	T0IR031600001816 00000	ERF 1816 HOUGHTON ESTATE	0,3965	699 004,40	1 635 076,17	50 696,70
2928281	T0IR009700003278 00000	REMAINDER OF ERF 3278 BRAKPAN	0,3965	699 004,40	1 635 076,17	50 696,70
1273311	T0IR013900000152 00000	ERF 152 CLEVELAND	0,3939	694 420,77	1 635 076,17	50 364,27
DEEDS158385	T0IR051400000982 00000	ERF 982 PAULSHOF EXT 55	0,3929	692 657,83	1 635 076,17	50 236,40
DD30082014_1 23316	T0IR0000000000076 00005	PORTION 5 OF FARM 76 MODDERFONTEIN IR	0,3892	686 134,96	1 635 076,17	49 763,31
1303921	T0IR070000000150 00000	ERF 150 VILLAGE MAIN	0,445	776 661,76	1 635 076,17	49 052,86
DEEDS58073	T0IR031600001898 00000	ERF 1898 HOUGHTON ESTATE	0,3779	666 213,78	1 635 076,17	48 318,49

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
1299811	T0IR04430000007300000	ERF 73 MOFFATVIEW	0,3771	664 803,43	1 635 076,17	48 216,20
ACQ000001	N0FT02580000257100000	ERF 2571 PIETERMARITZBURG	0,3723	656 341,33	1 635 076,17	47 602,47
DEEDS58882	T0IR03580000800900000	ERF 8009 KENSINGTON	0,370384451	652 964,34	1 635 076,17	47 357,55
158681	T0JR02820000032100000	ERF 321 WIERDAPARK	0,3698	651 933,99	1 635 076,17	47 282,82
410381	T0JR00960000001400000	ERF 14 GLEN LAURISTON	0,3661	645 411,13	1 635 076,17	46 809,74
61481	T0JR01990000351100000	ERF 3511 PRETORIA	0,4134	721 510,05	1 635 076,17	45 569,56
1424031	T0IR00810000001500001	PORTION 1 OF ERF 15 BOKSBURG SOUTH	0,3463	610 504,98	1 635 076,17	44 278,10
158291	T0JR01790000075100000	ERF 751 MUCKLENEUK	0,3433	605 216,17	1 635 076,17	43 894,52
1600971	T0JR02770000043800000	ERF 438 WATERKLOOF RIDGE	0,336	592 346,73	1 635 076,17	42 961,14
DEEDS62642	T0IQ05090000001700000	ERF 17 NASREC	0,3347	590 054,91	1 635 076,17	42 794,91
DD30082014_143252	T0JQ00000000053300066	PORTION 66 OF FARM 533 BULTFONTEIN JQ	0,3301	581 945,41	1 635 076,17	42 206,77
409351	T0JR00960000001200000	ERF 12 GLEN LAURISTON	0,3296	581 063,94	1 635 076,17	42 142,83
1380131	T0IQ00880000000100001	PORTION 1 OF AGRICULTURAL HOLDING 1 DOUGLASDALE AGRICULTURAL HOLDINGS IQ	0,3264	575 422,54	1 635 076,17	41 733,68
453071	T0JR02150000078100000	ERF 781 RIETFONTEIN	0,3249	572 778,13	1 635 076,17	41 541,88
1247551	T0IR00810000001400001	PORTION 1 OF ERF 14 BOKSBURG SOUTH	0,3183	561 142,75	1 635 076,17	40 698,00
461741	T0JR00000000036400011	PORTION 11 OF FARM 364 ZWARTKOPPIES JR	0,3169	558 674,64	1 635 076,17	40 519,00
1307311	T0IQ00450000112600000	ERF 1126 BOSMONT	0,3163	557 616,88	1 635 076,17	40 442,29
DEEDS141513	T0IR00000000011000205	PORTION 205 OF FARM 110 KLIPPOORTJE IR	0,3105	547 391,85	1 635 076,17	39 700,70
3182901	T0JR02760000030500000	ERF 305 WATERKLOOF HEIGHTS EXT 7	0,3095	545 628,91	1 635 076,17	39 572,83

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
182301	TOJR027600000321 00000	ERF 321 WATERKLOOF HEIGHTS EXT 7	0,3062	539 811,22	1 635 076,17	39 150,90
DEEDS174646	TOIR074400000173 00000	REMAINDER OF ERF173 WYNBERG	0,3028	533 817,23	1 635 076,17	38 716,16
DEEDS66873	TOIR061400000834 00000	ERF 834 SOUTH GERMISTON	0,2988	526 765,49	1 635 076,17	38 204,73
196236	TOIQ000000000533 00067	FARM 533 PORTION 67 IQ	0,2951	520 242,62	1 635 076,17	37 731,64
396871	TOJR000000000377 00027	PORTION 27 OF FARM 377 RIETVALLEI JR	0,295	520 066,33	1 635 076,17	37 718,86
27288	TOJR027600000318 00000	ERF 318 WATERKLOOF HEIGHTS EXT 7	0,294	518 303,39	1 635 076,17	37 591,00
DEEDS158997	TOJR019900001995 00000	ERF 1995 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
479411	TOJR019900002170 00000	ERF 2170 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
479841	TOJR019900002171 00000	ERF 2171 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159110	TOJR019900002172 00000	ERF 2172 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159100	TOJR019900002162 00000	ERF 2162 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159087	TOJR019900002149 00000	ERF 2149 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159083	TOJR019900002145 00000	ERF 2145 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159064	TOJR019900002126 00000	ERF 2126 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
DEEDS159059	TOJR019900002121 00000	ERF 2121 PRETORIA	0,2855	503 318,43	1 635 076,17	36 504,18
1245461	TOIR042200001107 00000	ERF 1107 MARSHALLS TOWN	0,2787	491 330,46	1 635 076,17	35 634,73
DD_31032017_49951	TOJR019900003489 00001	PORTION 1 OF ERF 3489 PRETORIA	0,2711	477 932,14	1 635 076,17	34 662,99
1336272	TOIQ012100000040 00001	PORTION 1 OF ERF 40 FLORIDA	0,2635	464 533,82	1 635 076,17	33 691,25
1358871	TOJR000000000367 00374	PORTION 374 OF FARM 367 MOOIPLAATS JR	0,36	621 964,07	1 635 076,17	33 336,65
DEEDS144790	TOJR000000000301 00417	REMAINDER OF PORTION 417 OF FARM 301 WITFONTEIN JR	0,2591	456 776,90	1 635 076,17	33 128,66

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
3068041	TOIQ05090000001400000	ERF 14 NASREC	0,2989	521 672,36	1 635 076,17	32 948,09
DEEDS159268	TOJR01990000304600000	ERF 3046 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
1355294	TOJR01990000073100000	ERF 731 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
1355295	TOJR01990000073200000	ERF 732 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
1590461	TOJR01990000010300000	ERF 103 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
2928362	TOJR01990000055800000	ERF 558 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
412111	TOJR01990000089900000	ERF 899 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
2016_ACQ0001	TOJR01990000326500000	ERF 3265 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
441601	TOJR00080000060800000	ERF 608 ARCADIA	0,2552	449 901,45	1 635 076,17	32 630,01
182871	TOJR00080000013700000	ERF 137 ARCADIA	0,2552	449 901,45	1 635 076,17	32 630,01
182872	TOJR00080000013800000	ERF 138 ARCADIA	0,2552	449 901,45	1 635 076,17	32 630,01
2538211	TOJR02670000055900000	ERF 559 VILLIERIA	0,2552	449 901,45	1 635 076,17	32 630,01
497111	TOJR01990000073300000	ERF 733 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
DD_31032017_38677	TOJR00810000020100000	ERF 201 ERASMUS	0,2552	449 901,45	1 635 076,17	32 630,01
DEEDS31032015_0055640	TOJR01990000056300000	ERF 563 PRETORIA	0,2552	449 901,45	1 635 076,17	32 630,01
120611	TOJR02730000083900000	ERF 839 OF WATERKLOOF	0,255170916	449 850,17	1 635 076,17	32 626,29
DD_31032017_60876	TOJR02730000131000000	ERF 1310 WATERKLOOF EXT 1	0,2465	434 563,90	1 635 076,17	31 517,62
1434851	TOIR0482000000300001	PORTION 1 OF AGRICULTURAL HOLDING 30 NORTONS SMALL FARMS IR	0,2461	433 858,72	1 635 076,17	31 466,47
DD_31032017_49952	TOJR01990000348900002	PORTION 2 OF ERF 3489 PRETORIA	0,2447	431 390,61	1 635 076,17	31 287,47

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
1353071	TOIR000000000092 00149	PORTION 149 OF FARM 92 DOORNFONTEIN IR	0,2441	430 332,85	1 635 076,17	31 210,76
1332132	TOIQ012100000039 00001	PORTION 1 OF ERF 39 FLORIDA	0,2432	428 746,21	1 635 076,17	31 095,68
182021	TOJR027600000317 00000	ERF 317 WATERKLOOF HEIGHTS EXT 7	0,2425	427 512,15	1 635 076,17	31 006,18
DEEDS58076	TOIR031600002289 00002	PORTION 2 OF ERF 2289 HOUGHTON ESTATE	0,2388	420 989,28	1 635 076,17	30 533,09
DEEDS144999	TOJR000000000356 00305	PORTION 305 OF FARM 356 ZWARTKOP JR	0,235	414 290,12	1 635 076,17	30 047,22
DEEDS158384	TOIR05140000981 00000	ERF 981 PAULSHOF EXT 55	0,2313	407 767,26	1 635 076,17	29 574,14
1334551	TOIR000000000057 00025	PORTION 25 OF FARM 57 NORTHVIEW IR	0,2665	465 124,40	1 635 076,17	29 376,60
DEEDS145113	TOJR000000000386 00122	PORTION 122 OF FARM 386 DOORNRANDJE JR	0,2284	402 654,74	1 635 076,17	29 203,34
DEEDS55577	TOIR007500001584 00001	PORTION 1 OF ERF 1584 BOKSBURG	0,2231	393 311,18	1 635 076,17	28 525,69
DEEDS57759	TOIR023300000256 00000	ERF 256 ESTERA	0,22109856	389 782,77	1 635 076,17	28 269,78
432081	TOJR008100000372 00000	ERF 372 ERASMUS	0,2552	445 402,44	1 635 076,17	28 131,00
DEEDS3103201 5_0051186	TOIR048800000288 00000	REMAINDER OF ERF288 OBSERVATORY	0,2548	444 704,31	1 635 076,17	28 086,90
2958541	TOJR000000000487 00075	PORTION 75 OF FARM 487 LEEUWFONTEIN JR	0,2147	378 502,51	1 635 076,17	27 451,66
3182671	TOJR027600000297 00000	ERF 297 WATERKLOOF HEIGHTS EXT 7	0,2085	367 572,30	1 635 076,17	26 658,92
D_3132013_136 525	TOJR035300002146 00003	PORTION 3 OF ERF 2146 ATTERIDGEVILLE	0,204	359 639,09	1 635 076,17	26 083,55
DEEDS66611	TOIR057200001653 00001	PORTION 1 OF ERF 1653 ROODEKOP	0,1986	350 119,23	1 635 076,17	25 393,10
139081	TOJR014900000475 00000	ERF 475 LYNNWOOD GLEN	0,1983	349 590,35	1 635 076,17	25 354,74
DD_20180331_ 110951	TOIR002500000004 00000	ERF 4 ATHOLHURST	0,1983	349 590,35	1 635 076,17	25 354,74
1270571	TOIR043300000110 00000	ERF 110 MELROSE NORTH EXT 2	0,1982	349 414,05	1 635 076,17	25 341,95
453311	TOJR015400000431 00000	ERF 431 LYTTTELTON MANOR EXT 1	0,1953	344 301,54	1 635 076,17	24 971,16

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
2958521	TOJR000000000487 00074	PORTION 74 OF FARM 487 LEEUWFONTEIN JR	0,1927	339 717,90	1 635 076,17	24 638,72
DEEDS57760	TOIR023300000257 00000	ERF 257 ESTERA	0,1849	325 967,00	1 635 076,17	23 641,42
3068011	TOIQ050900000013 00000	ERF 13 NASREC	0,1828	322 264,83	1 635 076,17	23 372,91
2971731	TOIR000000000121 00034	FARM 121 PORTION 34 OF UNKNOWN-KOOLBULT	0,2118	369 656,09	1 635 076,17	23 346,96
158211	TOJR017900000127 00000	REMAINDER OF ERF 127 MUCKLENEUK	0,1813	319 620,42	1 635 076,17	23 181,11
DEEDS3103201 5_0055508	TOJR019900000004 00000	REMAINDER OF ERF 4 PRETORIA	0,1808	318 738,96	1 635 076,17	23 117,19
1596261	TOJR017600000043 00000	ERF 43 MORELETAPARK	0,1761	310 453,15	1 635 076,17	22 516,24
503931	TOJR012000000207 00000	REMAINDER OF ERF 207 KILNER PARK	0,1746	307 808,75	1 635 076,17	22 324,45
DEEDS58522	TOIR031000004505 00000	ERF 4505 JOHANNESBURG	0,1735	305 869,52	1 635 076,17	22 183,80
107061	TOJR019900002852 00000	ERF 2852 PRETORIA	0,1721	303 401,41	1 635 076,17	22 004,80
DEEDS58508	TOIR031000004354 00008	PORTION 8 OF ERF 4354 JOHANNESBURG	0,1711	301 638,47	1 635 076,17	21 876,94
1270371	TOIR043300000112 00000	ERF 112 MELROSE NORTH EXT 2	0,1982	345 919,91	1 635 076,17	21 847,81
1421301	TOIR072200000285 00000	ERF 285 WEST GERMISTON	0,1673	294 939,31	1 635 076,17	21 391,07
1432471	TOIR000000000053 00343	PORTION 343 OF FARM 53 BRAAMFONTEIN IR	0,1914	334 051,82	1 635 076,17	21 098,24
DD30082014_1 48806	TOJR024200000023 00001	PORTION 1 OF ERF 23 SUNNYSIDE (PTA)	0,1836	320 438,43	1 635 076,17	20 238,44
DEEDS144913	TOJR000000000349 00060	PORTION 60 OF FARM 349 PRINSHOF JR	0,1557	274 489,24	1 635 076,17	19 907,88
3068001	TOIQ050900000003 00000	ERF 3 NASREC	0,1548	272 902,60	1 635 076,17	19 792,81
	TOJR017600000422 00000	ERF 422 OF MORELETAPARK	0,15	264 440,51	1 635 076,17	19 179,08
189812	TOJR002300000674 00000	REMAINDER OF ERF 674 BROOKLYN	0,1491	262 853,86	1 635 076,17	19 064,00

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>Land Extent as per Immovable assets register (IAR)</b>	<b>Land value as per Immovable assets Register (R)</b>	<b>Recalculated Deemed cost value (R)</b>	<b>Differences (R)</b>
1647821	TOJR000000000351 00443	PORTION 443 OF FARM 351 PRETORIA TOWN AND TOWNLANDS JR	0,1726	301 240,04	1 635 076,17	19 025,89
1303881	TOIR019600000053 00000	ERF 53 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1320191	TOIR019600000025 00000	ERF 25 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1334181	TOIR019600000029 00000	ERF 29 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1300231	TOIR019600000052 00000	ERF 52 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1307551	TOIR019600000054 00000	ERF 54 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
DEEDS62829	TOIR048300000093 00000	REMAINDER OF ERF 93 NORWOOD	0,1487	262 148,69	1 635 076,17	19 012,86
1329971	TOIR019600000028 00000	ERF 28 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1326961	TOIR019600000027 00000	ERF 27 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1350371	TOIR019600000049 00000	ERF 49 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1337111	TOIR019600000030 00000	ERF 30 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1354021	TOIR019600000050 00000	ERF 50 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1323201	TOIR019600000026 00000	ERF 26 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1296571	TOIR019600000051 00000	ERF 51 DUNNOTTAR	0,1487	262 148,69	1 635 076,17	19 012,86
1301481	TOIR070000000149 00000	ERF 149 VILLAGE MAIN	0,1484	261 619,81	1 635 076,17	18 974,51
1341301	TOIR019600000031 00000	ERF 31 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1344911	TOIR019600000032 00000	ERF 32 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1346731	TOIR019600000048 00000	ERF 48 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1311681	TOIR019600000023 00000	ERF 23 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
1343141	T0IR01960000004700000	ERF 47 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1315841	T0IR01960000002400000	ERF 24 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1311731	T0IR01960000005500000	ERF 55 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
1314751	T0IR01960000005600000	ERF 56 DUNNOTTAR	0,1467	258 622,81	1 635 076,17	18 757,14
3067991	T0IQ05090000001500000	ERF 15 NASREC	0,1406	247 868,90	1 635 076,17	17 977,19
2958791	T0JR000000000048500107	PORTION 107 OF FARM 485 FIROLAZ JR	0,1391	245 224,50	1 635 076,17	17 785,40
DEEDS159254	T0JR01990000300000000	ERF 3000 PRETORIA	0,1385	244 166,73	1 635 076,17	17 708,68
187031	T0JR02600000191400000	ERF 1914 VALHALLA	0,1586	276 805,74	1 635 076,17	17 482,66
3180941	T0JR02730000008900000	REMAINDER OF ERF89 WATERKLOOF	0,1355	238 877,92	1 635 076,17	17 325,10
DEEDS55721	T0IR00970000327800001	PORTION 1 OF ERF 3278 BRAKPAN	0,1829	315 992,30	1 635 076,17	16 936,87
DD30082014 _125180	T0IR02130000049800000	ERF 498 EDLEEN EXT 1	0,1298	228 829,18	1 635 076,17	16 596,29
494151	T0JR01790000012800000	REMAINDER OF ERF 128 MUCKLENEUK	0,1276	224 950,72	1 635 076,17	16 315,00
137601	T0JR02670000002500000	REMAINDER OF ERF 25 VILLIERIA	0,1276	224 950,72	1 635 076,17	16 315,00
DEEDS158988	T0JR01990000017000000	REMAINDER OF ERF 170 PRETORIA	0,1276	224 950,72	1 635 076,17	16 315,00
2928363	T0JR01990000055900000	REMAINDER OF ERF 559 PRETORIA	0,1276	224 950,72	1 635 076,17	16 315,00
1631871	T0JR01990000110400000	REMAINDER OF ERF 1104 PRETORIA	0,1276	224 950,72	1 635 076,17	16 315,00
2918531	T0JR01990000006200001	PORTION 1 OF ERF 62 PRETORIA	0,1276	224 950,72	1 635 076,17	16 315,00
200000066879	T0JR00230000020400000	REMAINDER OF ERF 204 BROOKLYN	0,1276	224 950,72	1 635 076,17	16 315,00
483391	T0JR01990000014900001	ERF 149 PORTION 1 OF PRETORIA	0,127585458	224 925,09	1 635 076,17	16 313,15
1322861	T0IR07090000002000000	ERF 20 WADEVILLE	0,1272	224 245,55	1 635 076,17	16 263,86

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
1420351	TOIQ0478000000100000	ERF 10 WESTDENE	0,1231	217 017,51	1 635 076,17	15 739,63
2958651	TOJR000000000048500095	PORTION 95 OF FARM 485 FIROLAZ JR	0,1221	215 254,57	1 635 076,17	15 611,77
1354841	TOJR0059000006300000	ERF 630 DORINGKLOOF	0,122	215 078,28	1 635 076,17	15 598,99
DEEDS172798	TOJR02770000139100000	REMAINDER OF ERF 1391 WATERKLOOF RIDGE EXT 2	0,1218	214 725,69	1 635 076,17	15 573,41
DEEDS142047	TOIR000000000009200774	PORTION 774 OF FARM 92 DOORNFONTEIN IR	0,1216	214 373,10	1 635 076,17	15 547,84
3169761	TOJR02730000007300000	REMAINDER OF ERF73 WATERKLOOF	0,1211	213 491,63	1 635 076,17	15 483,91
DEEDS66700	TOIQ03520000184100008	PORTION 8 OF ERF 1841 ROODEPOORT	0,121032701	213 372,99	1 635 076,17	15 475,31
428301	TOJR000000000032700029	PORTION 29 OF FARM 327 DERDEPOORT JR	0,1204	212 257,58	1 635 076,17	15 394,41
DEEDS31032015_0039581	TOJR00700000064100000	ERF 641 ELARDUS PARK EXT 1	0,12	211 552,40	1 635 076,17	15 343,26
380321	TOJR00260000015300000	ERF 153 CAPITAL PARK	0,119	209 789,47	1 635 076,17	15 215,41
380741	TOJR00260000029700000	ERF 297 CAPITAL PARK	0,119	209 789,47	1 635 076,17	15 215,41
412801	TOJR00080000074600001	PORTION 1 OF ERF 746 ARCADIA	0,1187	209 260,59	1 635 076,17	15 177,05
DEEDS61698	TOIR04350000108800054	PORTION 54 OF ERF 1088 MEYERSDAL EXT 2	0,1148	202 385,13	1 635 076,17	14 678,39
1305821	TOIQ00640000032800000	REMAINDER OF ERF 328 CRAIGHALL PARK	0,1134	199 917,02	1 635 076,17	14 499,38
3208121	TOJR02770000111200007	ERF 1112 PORTION 7 OF WATERKLOOF RIDGE	0,1124	198 154,09	1 635 076,17	14 371,53
DEEDS159118	TOJR01990000221900000	ERF 2219 PRETORIA	0,111526	196 613,28	1 635 076,17	14 259,77
388591	TOJR02130000058200000	ERF 582 RAYTON	0,1115	196 567,44	1 635 076,17	14 256,45
DEEDS159120	TOJR01990000222000000	ERF 2220 PRETORIA	0,1115	196 567,44	1 635 076,17	14 256,45
DD30082014_148209	TOJR01990000021800001	PORTION 1 OF ERF 218 PRETORIA	0,1276	222 701,21	1 635 076,17	14 065,49
DEEDS145287	TOJR00000000052400084	PORTION 84 OF FARM 524 KLIPEILAND JR	0,1063	187 400,17	1 635 076,17	13 591,57

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R)	Recalculated Deemed cost value (R)	Differences (R)
189811	T0JR02730000111800000	ERF 1118 WATERKLOOF	0,1061	187 047,58	1 635 076,17	13 566,00
184383	T0JR02300000044100003	PORTION 3 OF ERF 441 SILVERTON	0,1462	252 586,53	1 635 076,17	13 538,39
1248982	T0IR00000000009600283	PORTION 283 OF FARM 96 TURFFONTEIN IR	0,1058	186 518,70	1 635 076,17	13 527,64
DEEDS31032015_0037672	T0JR00080000065200000	ERF 652 OF ARCADIA	0,1057	186 342,41	1 635 076,17	13 514,86
DEEDS61703	T0IQ02520000026000003	PORTION 3 OF ERF 260 MID-ENNERDALE	0,104091	183 505,84	1 635 076,17	13 309,13
DEEDS145032	T0JR00000000035800075	PORTION 75 OF FARM 358 GROENKLOOF JR	0,1018	179 466,96	1 635 076,17	13 016,21
1317391	T0IR04440000055900000	ERF 559 MONDEOR	0,1009	177 880,31	1 635 076,17	12 901,12
DEEDS55536	T0IR00750000101800000	ERF 1018 BOKSBURG	0,1001	176 469,96	1 635 076,17	12 798,84
DEEDS145257	T0JR00000000050300002	PORTION 2 OF FARM 503 WACHTEENBIETJESKOP JR	0,0999	176 117,38	1 635 076,17	12 773,27
DEEDS59439	T0IR0368000004500017	PORTION 17 OF ERF 45 KLIPPOORTJE AL	0,0992	174 883,32	1 635 076,17	12 683,76
466061	T0JR00460000001600000	REMAINDER OF ERF 16 DASPOORT ESTATE	0,0992	174 883,32	1 635 076,17	12 683,76
2007541	T0IR01550000042900000	ERF 429 CROYDON	0,0991	174 707,03	1 635 076,17	12 670,98
1257351	T0IR05270000060800000	ERF 608 PRIMROSE	0,0991	174 707,03	1 635 076,17	12 670,98
D31032014_43130	T0IR03160000091200000	ERF 912 HOUGHTON ESTATE	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_126642	T0IR04190000000500000	ERF 5 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
D31032014_43129	T0IR03160000091100000	ERF 911 HOUGHTON ESTATE	0,0991	174 707,03	1 635 076,17	12 670,98
D31032014_43128	T0IR03160000091000000	ERF 910 HOUGHTON ESTATE	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_126646	T0IR04190000000900000	ERF 9 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_126640	T0IR04190000000200000	ERF 2 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_126645	T0IR04190000000800000	ERF 8 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>Land Extent as per Immovable assets register (IAR)</b>	<b>Land value as per Immovable assets Register (R)</b>	<b>Recalculated Deemed cost value (R)</b>	<b>Differences (R)</b>
DD30082014_1 26648	T0IR041900000011 00000	ERF 11 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_1 26643	T0IR041900000006 00000	ERF 6 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
DD30082014_1 26647	T0IR041900000010 00000	ERF 10 MARLBORO	0,0991	174 707,03	1 635 076,17	12 670,98
1257711	T0IR05270000607 00000	ERF 607 PRIMROSE	0,099084	174 678,82	1 635 076,17	12 668,93
1352591	T0IR029100000065 00000	ERF 65 HADDON	0,099035	174 592,44	1 635 076,17	12 662,67
1348431	T0IR029100000063 00000	ERF 63 HADDON	0,099035	174 592,44	1 635 076,17	12 662,67
1313731	T0IR044400000558 00000	ERF 558 MONDEOR	0,0975	171 886,33	1 635 076,17	12 466,40
486231	T0JR004400001031 00000	ERF 1031 DANVILLE	0,0971	171 181,15	1 635 076,17	12 415,25
486721	T0JR004400001032 00000	ERF 1032 DANVILLE	0,0971	171 181,15	1 635 076,17	12 415,25
1256481	T0IR044400000557 00000	ERF 557 MONDEOR	0,0941	165 892,34	1 635 076,17	12 031,67
2958951	T0JR000000000272 00326	PORTION 326 OF FARM 272 GROOTVLEI JR	0,0931	164 129,41	1 635 076,17	11 903,82
1420353	T0IQ047800000011 00000	REMAINDER OF ERF 11 WESTDENE	0,0923	162 719,06	1 635 076,17	11 801,53
200000077640	T0IR028100003314 00000	ERF 3314 GLENVISTA EXT 6	0,1059	184 828,05	1 635 076,17	11 673,48
DEEDS58873	T0IR035800007984 00000	ERF 7984 KENSINGTON	0,087852551	154 878,49	1 635 076,17	11 232,88
DEEDS3103201 5_0055648	T0JR019900000664 00000	REMAINDER OF ERF 664 PRETORIA	0,0867	152 846,61	1 635 076,17	11 085,51
200000077706	T0IQ035400000221 00000	ERF 221 ROODEPOORT WEST EXT 1	0,086336	152 204,90	1 635 076,17	11 038,96
DD30082014_1 11447	T0IQ034000001174 00000	ERF 1174 RIDGEWAY EXT 5	0,1	174 530,73	1 635 076,17	11 023,12
DEEDS63267	T0IR052700001926 00000	ERF 1926 PRIMROSE	0,0991	172 959,96	1 635 076,17	10 923,91
DD30082014_1 48820	T0JR024200000231 00002	PORTION 2 OF ERF 231 SUNNYSIDE (PTA)	0,085	149 849,62	1 635 076,17	10 868,15
DD30082014_1 48204	T0JR019900000178 00000	REMAINDER OF ERF 178 PRETORIA	0,0985	171 912,78	1 635 076,17	10 857,77

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>Land Extent as per Immovable assets register (IAR)</b>	<b>Land value as per Immovable assets Register (R)</b>	<b>Recalculated Deemed cost value (R)</b>	<b>Differences (R)</b>
200000077505	T0JR014200000854 00000	ERF 854 LISDOGAN PARK	0,0972	169 643,88	1 635 076,17	10 714,47
D31032014_578	T0JR019900000924 00000	REMAINDER OF ERF 924 PRETORIA	0,0964	168 247,63	1 635 076,17	10 626,29
185671	T0JR019900000169 00001	PORTION 1 OF ERF 169 PRETORIA	0,0818	144 208,22	1 635 076,17	10 458,99
416821	T0JR010100000062 00000	ERF 62 OF HAMMANSKRAAL	0,0811	142 974,17	1 635 076,17	10 369,49
DD30082014_1	T0JR000800000759 47303	ERF 759 ARCADIA	0,0934	163 011,71	1 635 076,17	10 295,60
<b>Total</b>						<b>9 558 743,77</b>

## **Impact**

The Immovable assets (land) valued using the average vacant land has been overstated by an amount of R20 896 081. (11 337 337 + 9558 743)

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Furthermore, management did not prepare accurate and valid AVL rates to be used in determining land values where MVR values are not available.

### **Recommendation**

It is recommended that Management ensures that only land with determined land extents that is owned by PMTE should be considered in AVL rates.

Management ensures that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management to re-assess the AVL rates determined for the land parcels considered that should have not been considered in determining the AVL rates

### **Management response**

Management are in agreement with the finding. AVL rates as calculated by the AGSA agree to the rates as calculated by management. Management to conduct final confirmations of the value of the adjustment to be passed in the current and prior year as amount.

### **Auditor's conclusion**

Management's comments are noted. Finding will be reported in the management report.

**PMTE HO COFF 08 Immovable assets: Properties incorrectly included in the AVL Masterfile resulting in incorrect AVL rates used**

**Requirement**

Section 40 of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution –*

- (e) *must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*
- (f) *must prepare financial statements for each financial year in accordance with generally recognized accounting practice”*

Paragraph 38 of the Generally Recognised Accounting Practice (GRAP) 17 states that: “*If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....”*

Section 4.3.3 of the Model for applying deemed cost states that; “*use the comparable method to value the land – calculate average vacant land value per average extent for each town using the MVRs (vacant land value/ vacant land extent)*”.

## Nature

During the audit of AVL ratios, the following inconsistencies were identified which resulted in auditors obtaining different AVL ratios to value land:

The following land parcels listed below were indicated to have no land extents associated to them but were taken into consideration in determining the AVL rates:

Unique Property Code	Parent ID	Site ID	Property Description	LPI Code (as per deeds aktex)	GRAP Extent used in AVL Rates submitted	land_value (R.)
DEEDS66712	-	100000038769	ERF 756 PORTION 0 OF ROODEPOORT	T0IQ03520000075600000	No extent now consolidated	5 841 000,00
703631	-	100000016135	FARM 454 PORTION 0 OF STELLENBOSCH RD-WIMBLEDON	C06700000000045400000	Not Found	2 985 715,20

Furthermore, the following land parcels listed below were indicated to have been removed from the Immovable Asset Register (Land) but were taken into account when determining the AVL rates:

Unique Property Code	Parent ID	Site ID	Property Description	LPI Code (as per deeds aktex)	GIS Source of Extent	land_value (R)
1096911	-	100000022497	ERF 4076 PORTION 36 OF RESERVOIR HILLS	N0FT02760000407600036	Remove from IAR	310 000,00
DEEDS175594	-	100000043194	ZEBEDIELA HOLDINGS 499 PORTION 0	T0KS00090000049900000	Remove from IAR	160 261,20
DEEDS175597	-	100000043197	ZEBEDIELA HOLDINGS 500 PORTION 0	T0KS00090000050000000	Remove from IAR	160 261,20
DEEDS175632	-	100000043230	ZEBEDIELA HOLDINGS 544 PORTION 0	T0KS00090000054400000	Remove from IAR	160 261,20
DEEDS175661	-	100000043259	ZEBEDIELA HOLDINGS 588 PORTION 0	T0KS00090000058800000	Remove from IAR	161 880,00
DEEDS175662	-	100000043260	ZEBEDIELA HOLDINGS 589 PORTION 0	T0KS00090000058900000	Remove from IAR	161 880,00
DEEDS175670	-	100000043268	ZEBEDIELA HOLDINGS 596 PORTION 0	T0KS00090000059600000	Remove from IAR	160 261,20
DEEDS175711	-	100000043305	ZEBEDIELA HOLDINGS 634 PORTION 0	T0KS00090000063400000	Remove from IAR	160 261,20
DEEDS175712	-	100000043306	ZEBEDIELA HOLDINGS 635 PORTION 0	T0KS00090000063500000	Remove from IAR	160 261,20
DEEDS175713	-	100000043307	ZEBEDIELA HOLDINGS 636 PORTION 0	T0KS00090000063600000	Remove from IAR	160 261,20
DEEDS175721	-	100000043313	ZEBEDIELA HOLDINGS 643 PORTION 0	T0KS00090000064300000	Remove from IAR	160 261,20

<b>Unique Property Code</b>	<b>Parent ID</b>	<b>Site ID</b>	<b>Property Description</b>	<b>LPI Code (as per deeds aktex)</b>	<b>GIS Source of Extent</b>	<b>land_value (R)</b>
DEEDS175768	-	10000004 3353	ZEBEDIELA HOLDINGS 688 PORTION 0	T0KS00090000068800 000	Remove from IAR	160 261,20
DEEDS175769	-	10000004 3354	ZEBEDIELA HOLDINGS 689 PORTION 0	T0KS00090000068900 000	Remove from IAR	160 261,20
DEEDS175771	-	10000004 3356	ZEBEDIELA HOLDINGS 690 PORTION 0	T0KS00090000069000 000	Remove from IAR	160 261,20
DEEDS175772	-	10000004 3357	ZEBEDIELA HOLDINGS 691 PORTION 0	T0KS00090000069100 000	Remove from IAR	160 261,20
DEEDS175773	-	10000004 3358	ZEBEDIELA HOLDINGS 692 PORTION 0	T0KS00090000069200 000	Remove from IAR	160 261,20
DEEDS175914	-	10000004 3480	ZEBEDIELA HOLDINGS 830 PORTION 0	T0KS00090000083000 000	Remove from IAR	161 880,00
DEEDS175915	-	10000004 3481	ZEBEDIELA HOLDINGS 831 PORTION 0	T0KS00090000083100 000	Remove from IAR	161 880,00

The exclusion of the above-mentioned land parcels from determining the AVL rates will result in the following AVL rate differences:

	<b>Management's AVL Rate (R)</b>	<b>Recalculated AVL Rate (R)</b>	<b>Difference (R)</b>
<b>Above</b>			
other	7 182,34	7 162,54	19,80
WP	39 776,41	39 418,04	358,36
<b>Below</b>			
GP	1 762 936,70	1 635 076,17	127 860,53
KZN	1 637 775,60	1 630 005,97	7 769,63

## Impact

This will result in the following overstatement of land parcels measured through AVL due to high AVL rates used:

**Note:** In calculating the differences documented below, the following should be noted:

- The land infrastructure impact was not taken into account.
- Differences below R10 000 were not included in the finding.

### Other region – Above 10 000sqm

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
S42_31032015_00947	C07500000000026300000	FARM 263 OF TULBAGH- FARM SCHALKENBERG	507,88	3 647 753	3 637 694	10 058
394821	T0LS0000000008090008	PORTION 8 OF FARM 809 RUIGEDRAAI LS	507,89	3 647 825	3 637 766	10 059
906841	C0540000000001090004	PORTION 4 OF FARM 109 KANSA OUDTSHOORN RD	511,35	3 672 688	3 662 561	10 127
200000078889	T0JS0000000004580000	REMAINDER OF FARM 458 OF TWEEFONTEIN JS	512,63	3 681 855	3 671 702	10 152
3151921	C0070000000002550002	PORTION 2 OF FARM 255 ARBEIDSVREUGD BARKLY WES RD	513,74	3 689 826	3 679 652	10 174
3151901	C0070000000002550003	PORTION 3 OF FARM 255 ARBEIDSVREUGD BARKLY WES RD	513,74	3 689 863	3 679 688	10 174
928041	C0760000000001120002	PORTION 2 OF FARM 112 BRACKENDALE UITENHAGE RD	513,92	3 691 144	3 680 966	10 178
568161	C0410000000005550001	PORTION 1 OF FARM 555 BRANKSEA KURUMAN RD	513,92	3 691 144	3 680 966	10 178
585971	C0310000000004380001	PORTION 1 OF FARM 438 PLAAS 438 HAY RD	513,92	3 691 144	3 680 966	10 178
488311	T0KR0000000005450001	PORTION 1 OF FARM 545 HAAKDOORNBULT KR	513,92	3 691 144	3 680 966	10 178
759541	C0750000000002930000	FARM 293 DONKER KLOOF FOREST RESERVE TULBAGH RD	514,06	3 692 130	3 681 950	10 181
DEEDS125194	T0JU00000000500000223	PORTION 223 OF FARM 5000 KAAPSCHÉ BLOK E JU	515,44	3 702 033	3 691 825	10 208
2535877	C057000000000690002	REMAINDER OF PORTION 2 OF FARM 69 JOUBERTSGAT PHILIPSTOWN RD	516,23	3 707 772	3 697 548	10 224

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS139222	T0HP00000000012300021	PORTION 21 OF FARM 123 DOORNBULT HP	516,49	3 709 600	3 699 371	10 229
DEEDS45300	C0070000000003060004	PORTION 4 OF FARM 306 GORDONSHOPE BARKLY WES RD	516,56	3 710 082	3 699 852	10 230
DEEDS17347	C0340000000008880000	FARM 888 FARM HUMANSDORP RD	517,06	3 713 724	3 703 484	10 240
1209201	F0260000000003200000	REMAINDER OF FARM 320 LEMOENBOORD PHILIPPOLIS RD	517,18	3 714 549	3 704 307	10 243
717671	C0750000000002520000	REMAINDER OF FARM 252 TULBAGH RD	517,32	3 715 588	3 705 342	10 245
1633201	N0HT0000000000720001	REMAINDER OF PORTION 1 OF FARM 72 MOOIPLAATS HT	517,83	3 719 204	3 708 949	10 255
5248617	C0410000000006830002	PORTION 2 OF FARM 683 YEOVIL KURUMAN RD	518,14	3 721 432	3 711 171	10 262
8321824	C0020000000002400001	PORTION 1 OF FARM 240 TEMPE ALBANY RD	519,06	3 728 056	3 717 776	10 280
DEEDS124821	T0JU00000000100000137	PORTION 137 OF FARM 1000 KAAPSCHE BLOK A JU	520,05	3 735 182	3 724 882	10 299
930741	C0040000000000830006	PORTION 6 OF FARM 83 COERNY ALEXANDRIA RD	523,41	3 759 305	3 748 939	10 366
1086181	N0GS00000000793400000	REMAINDER OF FARM 7934 DOVERCOURT GS	525,47	3 774 139	3 763 732	10 407
3152051	C0410000000005540001	PORTION 1 OF FARM 554 BRAKPAN KURUMAN RD	525,53	3 774 509	3 764 101	10 408
587801	C007000000000920003	REMAINDER OF PORTION 3 OF FARM 92 PLAAS 92 BARKLY WES RD	529,71	3 804 545	3 794 054	10 491
1024181	N0FS00000000566500000	FARM 5665 SUB C OF S98 FS	532,78	3 826 603	3 816 052	10 552
S42_31032015_0945	C0750000000002090000	FARM 209 OF TULBAGH- FARM KLOOFS BERG	534,81	3 841 179	3 830 587	10 592
561091	C0070000000003060005	PORTION 5 OF FARM 306 GORDONSHOPE BARKLY WES RD	535,33	3 844 921	3 834 319	10 602
582801	C0070000000003060002	REMAINDER OF PORTION 2 OF FARM 306 GORDONSHOPE BARKLY WES RD	535,33	3 844 942	3 834 340	10 602
DEEDS31032015_0026405	F0010000000017200000	FARM 1720 DIEPKLOOF BETHLEHEM RD	535,58	3 846 695	3 836 088	10 607
S42_31032015_0093	F017000000003580004	PORTION 4 OF FARM 358 BEESTKRAAL HOOPSTAD RD	536,57	3 853 796	3 843 169	10 627

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
832189	C0020000000002450000	FARM 245 IJSTER KOP ALBANY RD	537,90	3 863 398	3 852 745	10 653
2995041	C0340000000003770000	FARM 377 HUMANSDORP RD	538,99	3 871 190	3 860 515	10 674
DEEDS125292	T0JU000000005000000353	PORTION 353 OF FARM 5000 KAAPSCHE BLOK E JU	544,31	3 909 413	3 898 634	10 780
709061	C0090000000001820009	PORTION 9 OF FARM 182 STOLS HOEK BEAUFORT WEST RD	545,61	3 918 765	3 907 959	10 806
1238051	F0140000000013810000	REMAINDER OF FARM 1381 MERWEDE FRANKFORT RD	548,11	3 936 703	3 925 848	10 855
DEEDS149448	T0LT0000000000170003	REMAINDER OF PORTION 3 OF FARM 17 BAROTTA LT	553,77	3 977 335	3 966 368	10 967
1427831	T0IR0000000001870001	REMAINDER OF PORTION 1 OF FARM 187 KLIPPOORTJE IR	554,34	3 981 452	3 970 473	10 979
10607	C0280007000060130000	ERF 6013 UPINGTON	554,79	3 984 710	3 973 722	10 987
WC000005	C0750000000002500001	REMAINDER OF PORTION 1 OF FARM 250 WATERVALS BERG TULBAGH RD	555,25	3 988 025	3 977 028	10 997
249191	F0150000000001080000	REMAINDER OF FARM 108 MARYDALE HARRISMITH RD	557,35	4 003 077	3 992 039	11 038
449191	T0IT0000000004200002	PORTION 2 OF FARM 420 MERRIEKLOOF IT	558,85	4 013 843	4 002 775	11 068
867411	C0340015000001030000	REMAINDER OF ERF 103 ZITZIKAMA	559,25	4 016 704	4 005 628	11 076
462941	T0IT0000000004200005	PORTION 5 OF FARM 420 IT	559,59	4 019 164	4 008 082	11 082
DD30082014_136	T0IT0000000004200000	REMAINDER OF FARM 420 MERRIEKLOOF IT	559,82	4 020 829	4 009 742	11 087
DEEDS125285	T0JU000000005000000346	PORTION 346 OF FARM 5000 KAAPSCHE BLOK E JU	561,36	4 031 857	4 020 740	11 117
DEEDS124810	T0JU00000000100000120	PORTION 120 OF FARM 1000 KAAPSCHE BLOK A JU	561,75	4 034 667	4 023 541	11 125
DEEDS124809	T0JU00000000100000119	PORTION 119 OF FARM 1000 KAAPSCHE BLOK A JU	561,75	4 034 667	4 023 541	11 125
S42_31032015_0	C0640000000001500000	FARM 0 CALITZDORP	563,44	4 046 786	4 035 627	11 159
2939171	C039000000004510000	FARM 451 PAARDE VLAKTE KNYSNA RD	564,81	4 056 670	4 045 484	11 186

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
895561	C07600000000003800001	PORTION 1 OF FARM 38 UITENHAGE RD	565,82	4 063 909	4 052 703	11 206
DD30082014_157981	T0JS00000000008100000	FARM 81 LOSKOP	566,68	4 070 102	4 058 879	11 223
2535875	C0570000000000710007	PORTION 7 OF FARM 71 CARBONAATJES KRAAL PHILIPSTOWN RD	567,35	4 074 906	4 063 670	11 236
DEEDS124515	T0JT0000000002300002	PORTION 2 OF FARM 2 WITKLIP JT	568,10	4 080 294	4 069 043	11 251
1641411	N0FT00000000096800016	REMAINDER OF PORTION 16 OF FARM 968 ZEEKOE HOEK FT	568,67	4 084 367	4 073 104	11 262
459291	T0IT0000000004210003	PORTION 3 OF FARM 421 INHLOVUDWALILE IT	571,02	4 101 263	4 089 954	11 309
460671	T0IT0000000004210004	PORTION 4 OF FARM 421 INHLOVUDWALILE IT	571,02	4 101 273	4 089 964	11 309
378151	T0IT0000000004210001	REMAINDER OF PORTION 1 OF FARM 421 INHLOVUDWALILE IT	571,02	4 101 278	4 089 969	11 309
DEEDS124536	T0JT0000000002600001	REMAINDER OF PORTION 1 OF FARM 260 UITZOEK JT	572,72	4 113 452	4 102 109	11 342
DEEDS145641	T0JU00000000600000177	PORTION 177 OF FARM 6000 0 JU	573,17	4 116 682	4 105 330	11 351
DEEDS125215	T0JU00000000500000244	PORTION 244 OF FARM 5000 KAAPSCHE BLOK E JU	580,24	4 167 466	4 155 974	11 491
S42_31032015_00118	F0170000000003400000	REMAINDER OF FARM 34 BULTFONTEIN HOOPSTAD RD	582,34	4 182 559	4 171 026	11 533
1334451	T0IR00000000018600079	REMAINDER OF PORTION 79 OF FARM 186 LANGLAAGTE IR	583,59	4 191 560	4 180 002	11 558
3179321	C0750000000004100000	FARM 41 BOKVELDS KLOOF TULBAGH RD	584,23	4 196 175	4 184 604	11 571
485341	T0KT0000000005090002	PORTION 2 OF FARM 509 FRANKFORT KT	589,70	4 235 399	4 223 720	11 679
1089391	N0ES00000000803700000	FARM 8037 LOVEDALE ES	593,10	4 259 868	4 248 121	11 746
1230431	F0110000000011840003	PORTION 3 OF FARM 1184 KAREEKLOOF FAURESMITH RD	594,14	4 267 321	4 255 554	11 767
DEEDS139500	T0IO00000000031100006	PORTION 6 OF FARM 6 GROENFONTEIN IO	595,83	4 279 420	4 267 620	11 800
450871	T0IT00000000042000006	PORTION 6 OF FARM 420 MERRIEKLOOF IT	596,51	4 284 307	4 272 494	11 814

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1668421	N0HT0000000001660004	PORTION 4 OF FARM 166 ROOIPOORT HT	597,90	4 294 327	4 282 486	11 841
475891	T0IT0000000002020002	PORTION 2 OF FARM 202 CRAIGIELEA IT	599,57	4 306 304	4 294 430	11 874
495601	T0JT0000000006270000	REMAINDER OF FARM 627 LILIENSTEIN JT	599,58	4 306 356	4 294 481	11 874
840991	C0120000000001320001	PORTION 1 OF FARM 132 NEW VAALKOP BRITSTOWN RD	599,78	4 307 824	4 295 945	11 878
DEEDS182163	C0810007000001670000	REMAINDER OF AGRICULTURAL HOLDING 167 OF VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	599,83	4 308 166	4 296 287	11 879
1239091	F0030000000013600000	FARM 1360 BOSCHRAND BLOEMFONTEIN RD	601,61	4 320 946	4 309 031	11 915
DEEDS125232	T0JU000000000500000261	PORTION 261 OF FARM 5000 KAAPSCHE BLOK E JU	601,96	4 323 458	4 311 536	11 922
783121	C0430000000001360000	REMAINDER OF FARM 136 FLORIS KRAAL LAINGSBURG RD	602,41	4 326 705	4 314 775	11 931
DEEDS124820	T0JU000000000100000136	PORTION 136 OF FARM 1000 KAAPSCHE BLOK A JU	604,53	4 341 914	4 329 942	11 972
601294	C0460000000002880000	REMAINDER OF FARM 288 LYFSERSHOEK MALMESBURY RD	604,71	4 343 246	4 331 270	11 976
2535876	C0570000000000690001	REMAINDER OF PORTION 1 OF FARM 69 JOUBERTSGAT PHILIPSTOWN RD	605,29	4 347 426	4 335 438	11 988
DEEDS145631	T0JU000000000600000167	PORTION 167 OF FARM 6000 0 JU	605,88	4 351 654	4 339 655	11 999
D31032014_1549	T0JQ00000000038100026	PORTION 26 OF FARM 381 SYFERFONTEIN	607,27	4 361 600	4 349 573	12 027
398771	T0IP0000000000700000	REMAINDER OF FARM 7 KOPPIESFONTEIN IP	608,14	4 367 869	4 355 825	12 044
1089911	N0ES0000000081060000	REMAINDER OF FARM 8106 MESSINA ES	609,04	4 374 310	4 362 248	12 062
S42_31032015_0	C05400000000021900000	FARM 219 OUDTSHOORN	611,35	4 390 913	4 378 806	12 108
422961	T0JT00000000008700006	PORTION 6 OF FARM 87 KAFFERVOETPAD JT	611,78	4 394 024	4 381 908	12 116
405941	T0JU00000000039000000	FARM 390 MALELANE ESTATE B JU	613,94	4 409 543	4 397 384	12 159
778991	C0500000000001210001	PORTION 1 OF FARM 121 WATERFALL MONTAGU RD	614,25	4 411 768	4 399 603	12 165

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS124514	T0JT00000000023000001	PORTION 1 OF FARM 1 WITKLIP JT	615,21	4 418 679	4 406 495	12 184
1122071	N0ES0000000172600001	PORTION 1 OF FARM 17260 0 ES	616,61	4 428 718	4 416 507	12 212
DEEDS18361	C039000000003920000	REMAINDER OF FARM 392 LOWLANDS KNYNSNA RD	618,42	4 441 677	4 429 429	12 248
S42_31032015_0071	F0170000000014190000	REMAINDER OF FARM 1419 EBENHAESER HOOPSTAD RD	620,19	4 454 453	4 442 170	12 283
100000034849	T0JT00000000017400001	ERF 174 PORTION 1 OF JT	622,59	4 471 678	4 459 348	12 330
263531	F0150000000010400000	FARM 1040 POLELA HARRISMITH RD	622,69	4 472 399	4 460 067	12 332
524868	C041000000006770000	REMAINDER OF FARM 677 COPTHORNE KURUMAN RD	622,78	4 472 990	4 460 657	12 334
505591	T0JQ00000000012600001	PORTION 1 OF FARM 126 BULTFONTEIN JQ	626,81	4 501 990	4 489 576	12 414
2938811	T0IP00000000042300004	REMAINDER OF PORTION 4 OF FARM 423 ZANDPAN IP	627,71	4 508 448	4 496 017	12 432
DD30082014_051119	F0010000000008670000	FARM 867 UNIONDALE	628,97	4 517 470	4 505 014	12 457
14513	T0KQ00000000045900000	REMAINDER OF FARM 459 BUFFELSPoORT KQ	630,38	4 527 609	4 515 124	12 484
1632151	N0GV000000148960000	FARM 14896 PORTON 0 OF HLABISA	631,59	4 536 303	4 523 794	12 508
S42_31032015_00838	C0430000000002060000	FARM 206 LADISMITH	632,19	4 540 620	4 528 100	12 520
2778376	F0030000000003230000	REMAINDER OF FARM 323 PEILKOP BLOEMFONTEIN RD	633,10	4 547 140	4 534 601	12 538
1537261	T0MT00000000004900001	PORTION 1 OF FARM 49 TOYNTON MT	636,30	4 570 143	4 557 541	12 602
449711	T0JU00000000030600000	REMAINDER OF FARM 306 SEGALLA JU	638,44	4 585 488	4 572 844	12 644
DEEDS38101	F01500000000190300110	REMAINDER OF PORTION 110 OF FARM 1903 HARRISMITH RD	642,02	4 611 213	4 598 498	12 715
DEEDS179098	T0IM00000000043600009	PORTION 9 OF FARM 436 RYNO IM	642,40	4 613 930	4 601 208	12 723
200000078510	T0JT00000000024400002	PORTION 2 OF FARM 244 DOORNKRAAL JT	642,40	4 613 930	4 601 208	12 723

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS179100	TOIM00000000043600011	PORTION 11 OF FARM 436 RYNO IM	642,40	4 613 962	4 601 240	12 723
1355241	T0LS00000000030500000	REMAINDER OF FARM 305 MAY LS	642,86	4 617 221	4 604 490	12 732
S42_31032015_00898	C0730000000001700000	FARM 170 SWELLENDAM	642,88	4 617 378	4 604 646	12 732
200000083095	F00100000000136100000	REMAINDER OF FARM 1361 GLEN REENEN BETHLEHEM RD	643,07	4 618 763	4 606 027	12 736
DEEDS3898	C01100000000016900003	REMAINDER OF PORTION 3 OF FARM 169 BREDASDORP RD	643,77	4 623 773	4 611 023	12 750
739931	C06100000000018600000	FARM 186 HATTINGS KLOOF PRINCE ALBERT RD	645,40	4 635 452	4 622 670	12 782
1195771	F003000000000162800000	REMAINDER OF FARM 1628 GLEN HOPE BLOEMFONTEIN RD	647,16	4 648 146	4 635 329	12 817
3102471	C03800000000016670000	FARM 1667 KING WILLIAM'S TOWN RD	647,24	4 648 678	4 635 859	12 818
DEEDS145609	T0JU0000000006000000143	PORTION 143 OF FARM 6000 0 JU	649,25	4 663 104	4 650 246	12 858
DEEDS142924	T0JP00000000008800000	REMAINDER OF FARM 88 WITPOORTJE JP	649,34	4 663 781	4 650 922	12 860
200000077788	T0JU00000000039300003	REMAINDER OF PORTION 3 OF FARM 393 ONE TREE HILL JU	649,74	4 666 639	4 653 771	12 868
874011	C05400000000014400018	REMAINDER OF PORTION 18 OF FARM 144 WELGEVONDEN OUDTSHOORN RD	650,71	4 673 593	4 660 706	12 887
469161	T0MS00000000037900001	PORTION 1 OF FARM 379 LOUISIANA MS	652,18	4 684 170	4 671 254	12 916
442271	T0JT00000000026900000	REMAINDER OF FARM 269 WATERVAL JT	652,96	4 689 804	4 676 872	12 932
DEEDS23863	C05400000000014500003	PORTION 3 OF FARM 145 BLAAUWBOSCH KUIL OUDTSHOORN RD	653,89	4 696 468	4 683 518	12 950
443121	T0JT00000000026900001	PORTION 1 OF FARM 269 WATERVAL JT	655,83	4 710 361	4 697 373	12 988
443951	T0JT00000000026900002	PORTION 2 OF FARM 269 WATERVAL JT	655,83	4 710 392	4 697 404	12 988
DEEDS125307	T0JU000000000500000368	PORTION 368 OF FARM 368 KAAPSCHE BLOK E JU	656,86	4 717 815	4 704 806	13 009
2251	C0040000000007100000	FARM 71 FERNIEBRAE ALEXANDRIA RD	656,92	4 718 209	4 705 199	13 010

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
874811	C05400000000014400043	PORTION 43 OF FARM 144 WELGEVONDEN OUDTSHOORN RD	661,15	4 748 627	4 735 533	13 094
DEEDS145647	T0JU000000000600000184	PORTION 184 OF FARM 6000 0 JU	665,03	4 776 484	4 763 313	13 171
DD30082014_158085	T0JS0000000001040002	PORTION 2 OF FARM 104 FONTEIN ZONDER END JS	665,58	4 780 401	4 767 220	13 182
453051	T0KT0000000003960000	FARM 396 OF KT-DE BAD	665,79	4 781 959	4 768 773	13 186
488141	T0KT0000000005710002	PORTION 2 OF FARM 571 KLEINFONTEIN KT	666,19	4 784 835	4 771 641	13 194
913191	C0390000000004010000	REMAINDER OF FARM 401 KNYSNA RD	667,24	4 792 336	4 779 121	13 214
DEEDS125259	T0JU000000000500000293	PORTION 293 OF FARM 5000 KAAPSCHE BLOK E JU	668,19	4 799 174	4 785 941	13 233
DEEDS124532	T0JT0000000002460000	FARM 246 DIEPKLOOF JT	669,75	4 810 381	4 797 117	13 264
1024441	N0GU0000000114630000	FARM 11463 KLOOF GU	669,76	4 810 413	4 797 148	13 264
1237581	F0010000000012940003	REMAINDER OF PORTION 3 OF FARM 1294 DE KAMP BETHLEHEM RD	670,38	4 814 867	4 801 591	13 277
1086961	N0GU0000000003300000	REMAINDER OF FARM 330 GELUKSFONTIEN GU	675,35	4 850 571	4 837 196	13 375
DOD00050	F0310000000002770000	FARM 227 OF SMITHFIELD-SMITHFIELD	676,00	4 855 254	4 841 866	13 388
DEEDS625	C008000000000090002	REMAINDER OF PORTION 2 OF FARM 9 PERCIVAL BATHURST RD	676,26	4 857 135	4 843 742	13 393
D_3132013_8251	F0220000000006620000	REMAINDER OF FARM 662 BENONI LINDLEY RD	678,17	4 870 877	4 857 446	13 431
200000077561	T0JU0000000002600004	PORTION 4 OF FARM 260 0 JU	679,28	4 878 811	4 865 358	13 453
DD30082014_158084	T0JS0000000001040001	PORTION 1 OF FARM 104 FONTEIN ZONDER END JS	679,56	4 880 800	4 867 341	13 458
376461	T0IT0000000002270001	PORTION 1 OF FARM 227 SPRING GROVE IT	680,10	4 884 690	4 871 220	13 469
DD30082014_178012	T0LT000000000150000	REMAINDER OF FARM 15 LEVUBU LT	682,02	4 898 537	4 885 030	13 507
1024391	NOES0000000056700000	REMAINDER OF FARM 5670 SCYLLA ES	683,98	4 912 608	4 899 062	13 546

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
565401	C0070000000003090000	REMAINDER OF FARM 309 PLAAS 309 BARKLY WES RD	684,37	4 915 374	4 901 820	13 554
711191	C0750000000002510000	FARM 251 ZUUR VLAKTE TULBAGH RD	685,07	4 920 377	4 906 810	13 568
200000066969	C0040000000000730004	PORTION 4 OF FARM 73 DOORN NEK ALEXANDRIA RD	685,22	4 921 496	4 907 926	13 571
384491	T0JP0000000000650002	PORTION 2 OF FARM 65 OLIFANTSVALLEI JP	685,23	4 921 526	4 907 955	13 571
DD30082014_166744	T0KQ0000000004590001	PORTION 1 OF FARM 459 BUFFELSPOORT KQ	685,23	4 921 526	4 907 955	13 571
524869	C0410000000006770002	PORTION 2 OF FARM 677 COPTHORNE KURUMAN RD	685,23	4 921 526	4 907 955	13 571
5248626	C0070000000002580004	PORTION 4 OF FARM 258 0 BARKLY WES RD	685,61	4 924 264	4 910 685	13 578
410281	T0HO0000000003460014	REMAINDER OF PORTION 14 OF FARM 346 KALKFONTEIN HO	685,69	4 924 896	4 911 316	13 580
DEEDS23538	C0280013000004560000	REMAINDER OF ERF 456 OLYVENHOUTSDRIFT SETT	686,71	4 932 212	4 918 611	13 600
445111	T0JR0000000003350001	REMAINDER OF PORTION 1 OF FARM 1 BEYNESPOORT JR	687,52	4 937 993	4 924 376	13 616
910081	C0740000000002240000	FARM 224 LEEUWFONTEIN TARKA RD	689,68	4 953 515	4 939 856	13 659
1678431	C0090000000001950001	PORTION 1 OF FARM 195 WOLVEHOKS KLOOF BEAUFORT WEST RD	690,91	4 962 334	4 948 650	13 683
47681	T0LS0000000002750000	FARM 275 HANGLIP LS	693,18	4 978 666	4 964 938	13 728
1030101	N0GU0000000061630000	FARM 6163 FORT CURTIS GU	693,89	4 983 737	4 969 994	13 742
6515	C041000000005520002	PORTION 2 OF FARM 552 ROSE VALLEY KURUMAN RD	695,52	4 995 488	4 981 713	13 775
487301	T0KT0000000005700002	PORTION 2 OF FARM 570 ROODEWAL KT	696,22	5 000 465	4 986 676	13 788
476241	T0KT0000000005700000	REMAINDER OF FARM 570 ROODEWAL	696,22	5 000 465	4 986 676	13 788
3008591	C053000000004970000	FARM 497 NAMAQUALAND RD	698,85	5 019 351	5 005 511	13 840
DEEDS125081	T0JU0000000400000462	PORTION 462 OF FARM 462 KAAPSCHE BLOK D JU	702,45	5 045 207	5 031 295	13 912

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1221211	F0030000000000100000	REMAINDER OF FARM 10 KLIPDRIFT BLOEMFONTEIN RD	703,59	5 053 441	5 039 506	13 934
200000084660	F0160000000007240000	FARM 724 GROENPUNT HEILBRON RD	705,72	5 068 742	5 054 765	13 977
724051	C01100000000026400014	PORTION 14 OF FARM 264 DOLLAS DOWNS BREDASDORP RD	706,62	5 075 205	5 061 210	13 994
1215321	F0030000000003570002	PORTION 2 OF FARM 357 HARTEBEEST HOEK BLOEMFONTEIN RD	707,33	5 080 290	5 066 281	14 008
DEEDS139140	T0HO00000000034600013	REMAINDER OF PORTION 13 OF FARM 346 KALKFONTEIN HO	708,20	5 086 534	5 072 509	14 026
DD30082014_054651	F0150000000006230000	FARM 623 GENERAL WILL HARRISMITH RD	709,12	5 093 133	5 079 089	14 044
DEEDS145657	T0JU000000000600000194	PORTION 194 OF FARM 194 JU	712,11	5 114 593	5 100 490	14 103
DEEDS141012	T0IQ00000000038200009	PORTION 9 OF FARM 382 WITKOPPIES IQ	712,54	5 117 689	5 103 577	14 112
DEEDS125213	T0JU000000000500000242	PORTION 242 OF FARM 5000 KAAPSCHE BLOK E JU	713,10	5 121 729	5 107 606	14 123
390881	T0IQ0000000006500010	PORTION 10 OF FARM 65 KLERKS Kraal IQ	714,11	5 128 947	5 114 805	14 143
502231	T0KT00000000008800001	REMAINDER OF PORTION 1 OF FARM 88 PARIS KT	714,33	5 130 581	5 116 434	14 147
2995121	C0340000000003740000	FARM 374 HUMANSDORP RD	715,15	5 136 463	5 122 300	14 163
1369051	T0MT00000000004900000	REMAINDER OF FARM 49 TOYNTON MT	716,92	5 149 166	5 134 967	14 198
899241	C0760000000004210000	FARM 421 DOWNTON UITENHAGE RD	722,66	5 190 425	5 176 113	14 312
DEEDS92061	N0HV0000000158340006	PORTION 6 OF FARM 15834 RESERVE NO 14 HV	723,95	5 199 678	5 185 340	14 338
DEEDS148889	T0LS00000000030500001	PORTION 1 OF FARM 305 MAY LS	724,63	5 204 514	5 190 163	14 351
718911	C0610000000014500007	PORTION 7 OF FARM 145 WITPOORT PRINCE ALBERT RD	724,87	5 206 238	5 191 883	14 356
2541001	T0LR00000000047100000	FARM 471 SONKWA STAD LR	725,69	5 212 121	5 197 749	14 372
387101	T0IP0000000002700000	REMAINDER OF FARM 27 LICHTENBURG TOWN AND TOWNLANDS IP	726,25	5 216 178	5 201 795	14 383

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
S42_31032015_00823	C0200000000002810000	FARM 281 CLANWILLIAM	726,92	5 220 963	5 206 567	14 396
714611	C0130000000002830000	FARM 283 JACKELS RIVIER CALEDON RD	727,38	5 224 322	5 209 917	14 406
444391	T0JT0000000002600003	PORTION 3 OF FARM 260 UITZOEK JT	728,05	5 229 121	5 214 702	14 419
DEEDS17342	C0340000000008800000	FARM 880 HUMANSDORP RD	729,03	5 236 130	5 221 692	14 438
1128061	N0ES0000000172730000	REMAINDER OF FARM 17273 0 ES	729,33	5 238 313	5 223 869	14 444
1018711	N0ET0000000035160002	PORTION 2 OF FARM 3516 FERREBY ET	729,98	5 242 999	5 228 542	14 457
3151941	C0070000000025800000	REMAINDER OF FARM 258 0 BARKLY WES RD	730,15	5 244 152	5 229 692	14 460
S42_31032015_00797	C0130000000010100000	FARM 101 GRABOUW	730,31	5 245 307	5 230 843	14 463
1010481	N0ES0000000045300001	PORTION 1 OF FARM 4530 STAFFORD ES	734,14	5 272 870	5 258 331	14 539
DODDB0866	TOLS00000000101100000	FARM 1011 SPITSKOP LS	735,29	5 281 105	5 266 542	14 562
1014981	N0ES00000000504300000	FARM 5043 LOT ST MARY'S B ES	736,49	5 289 728	5 275 142	14 586
DEEDS758	C0090000000000920002	PORTION 2 OF FARM 92 DROOGE HOEK BEAUFORT WEST RD	746,61	5 362 428	5 347 642	14 786
DEEDS142860	T0JP000000000005500010	REMAINDER OF PORTION 10 OF FARM 55 PETRUSDAM JP	747,46	5 368 481	5 353 678	14 803
1510611	N0HT00000000023500000	FARM 236 OF UTRECHT RD-FRISCHGEWAAGD	747,68	5 370 071	5 355 264	14 808
1029441	N0HV00000001440200000	REMAINDER OF FARM 14402 MKUZI-SUID HV	748,45	5 375 658	5 360 835	14 823
D31032014_154326	T0JQ000000000007700017	REMAINDER OF PORTION 17 OF FARM 77 KLIPPLAAT JQ	749,21	5 381 079	5 366 241	14 838
1029251	N0GV0000000143900001	PORTION 1 OF FARM 14390 MTOLO	750,14	5 387 734	5 372 878	14 856
DD30082014_157989	T0JS000000000008700000	REMAINDER OF FARM 87 NOOTGEDACHT JS	757,73	5 442 253	5 427 247	15 007
S42_31032015_0080	F0170000000008100000	REMAINDER OF FARM 81 WINTERHOEK HOOPSTAD RD	760,76	5 464 069	5 449 002	15 067

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1126381	N0ES0000000099540000	FARM 9954 FAIR VIEW ES	761,05	5 466 140	5 451 067	15 072
11223	T0KP0000000012000000	REMAINDER OF FARM 120 DROOGEDAL KP	761,92	5 472 365	5 457 276	15 090
DEEDS139832	T0IP0000000003820000	FARM 382 ETTA IP	761,96	5 472 686	5 457 595	15 090
1083081	N0GS0000000010510002	REMAINDER OF PORTION 2 OF FARM 1051 RHENOSTER FONTEIN GS	762,66	5 477 681	5 462 577	15 104
S42_31032015_00847	C043000000002300000	FARM 230 LADISMITH	762,97	5 479 893	5 464 783	15 110
390181	T0JT0000000002000001	PORTION 1 OF FARM 200 SABIESHOEK JT	764,81	5 493 119	5 477 973	15 147
780611	C0090001000052890000	REMAINDER OF ERF 5289 BEAUFORT WEST	764,93	5 494 013	5 478 864	15 149
2993411	N0ES0000000172880000	FARM 17288 0 ES	767,73	5 514 091	5 498 886	15 205
524862	C041000000006750002	PORTION 2 OF FARM 675 THAAKWANENG KURUMAN RD	770,58	5 534 570	5 519 308	15 261
524864	C041000000006750001	PORTION 1 OF FARM 675 THAAKWANENG KURUMAN RD	770,59	5 534 619	5 519 358	15 261
2916741	C0780000000001570000	FARM 157 SCHAAP VLEY HILLS VANRHYNSDORP RD	772,02	5 544 883	5 529 593	15 290
DEEDS32545	C07600000000011300255	PORTION 255 OF FARM 113 COMMANDO KRAAL ESTATE UITENHAGE RD	773,28	5 553 953	5 538 638	15 315
DEEDS17254	C034000000005110000	FARM 511 KRUIS RIVER FOREST RESERVE HUMANSDORP RD	776,87	5 579 779	5 564 394	15 386
3179371	C013000000000340000	FARM 34 GALGE BERG CALEDON RD	780,04	5 602 521	5 587 072	15 448
399061	T0JT0000000002500005	PORTION 5 OF FARM 250 BOSCHJESKOP JT	782,16	5 617 719	5 602 228	15 490
DEEDS31032015_0026334	F001000000005180000	FARM 518 RHEBOK KOP BETHLEHEM RD	782,20	5 618 044	5 602 553	15 491
3151991	C031000000004400000	REMAINDER OF FARM 440 PLAAS 440 HAY RD	784,20	5 632 399	5 616 868	15 531
3037885	N0GV0000000145590000	FARM 14559 OF GV	784,55	5 634 904	5 619 366	15 538
491501	T0KT000000005710003	PORTION 3 OF FARM 571 KLEINFONTEIN KT	785,39	5 640 941	5 625 386	15 554

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
476941	TOKT0000000005710000	REMAINDER OF FARM 571 KLEINFONTEIN KT	785,41	5 641 069	5 625 514	15 555
DEEDS3964	C0110000000006400008	PORTION 8 OF FARM 64 KLIP FONTEIN BREDASDORP RD	785,42	5 641 145	5 625 590	15 555
3179381	C0130000000000360000	FARM 36 ZILVERMYN CALEDON RD	785,57	5 642 221	5 626 663	15 558
S42_31032015_00948	C0750000000004200000	ERF 42 OF PORTERVILLE	787,53	5 656 333	5 640 736	15 597
200000078594	T0JU00000000047200000	FARM 472 PORTION 0 OF JU-NAAS	788,44	5 662 851	5 647 236	15 615
3037901	N0ES0000000079210000	FARM 7921 THE PARK ES	795,05	5 710 349	5 694 603	15 746
S42_31032015_00895	C07300000000011400017	PORTION 17 OF FARM 114 THE GROOTVADERSBOSCH ESTATE SWELLENDAM RD	796,65	5 721 848	5 706 070	15 777
1134621	F0010000000001560000	FARM 156 VAALBANK BETHLEHEM RD	796,97	5 724 083	5 708 299	15 784
200000069068	T0IT00000000019900000	REMAINDER OF FARM 199 ISABELLADALE IT	798,32	5 733 820	5 718 009	15 811
200000078409	F01700000000006700001	REMAINDER OF PORTION 1 OF FARM 67 ROODEDRAAI HOOPSTAD RD	800,00	5 745 875	5 730 031	15 844
S42_31032015_00121	F0170000000000400000	REMAINDER OF FARM 4 MIDDAGSON HOOPSTAD RD	800,01	5 745 974	5 730 130	15 844
639301	C01100000000017200002	PORTION 2 OF FARM 172 EILANDS VALLEY A BREDASDORP RD	800,04	5 746 164	5 730 319	15 845
494131	T0JT00000000060500000	FARM 605 DOORNSPRUIT JT	804,59	5 778 874	5 762 939	15 935
3179821	C0130000000005390000	FARM 539 OF CALEDON-PAARDE POORT	808,35	5 805 811	5 789 802	16 009
931641	C0210000000002050000	REMAINDER OF FARM 205 RIETBULT COLESBERG RD	809,02	5 810 654	5 794 631	16 022
872941	C05400000000014400016	REMAINDER OF PORTION 16 OF FARM 144 WELGEVONDEN OUDTSHOORN RD	810,13	5 818 638	5 802 593	16 044
743541	C0640000000005500000	FARM 55 TYGERBERG RIVERSDALE RD	814,67	5 851 253	5 835 119	16 134
3037883	N0GV00000001489300000	FARM 14893 OF HLABISA	816,43	5 863 853	5 847 684	16 169
DEEDS125276	T0JU000000000500000337	PORTION 337 OF FARM 337 KAAPSCHE BLOK E JU	818,83	5 881 090	5 864 873	16 217

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1237981	F0010000000012630000	FARM 1263 DIEPFONTEIN BETHLEHEM RD	818,96	5 882 043	5 865 824	16 219
200000078278	C0040000000006900000	FARM 69 HEATHERBRAE ALEXANDRIA RD	820,27	5 891 442	5 875 197	16 245
200000078332	C0470000000000100004	PORTION 4 OF FARM 10 KRUISFONTEIN MARAISBURG RD	821,27	5 898 622	5 882 357	16 265
501441	T0JT00000000062400001	PORTION 1 OF FARM 624 WARTBURG JT	823,67	5 915 889	5 899 577	16 313
1026621	0000573600000	FARM 5736 OF NATAL RD-LOT 30	824,79	5 923 929	5 907 594	16 335
S42_31032015_0808	C0140000000000400000	FARM 4 OUDTSHOORN	824,80	5 924 000	5 907 665	16 335
DEEDS3896	C0110000000001690001	REMAINDER OF PORTION 1 OF FARM 169 BREDASDORP RD	827,98	5 946 823	5 930 425	16 398
3037882	N0GV00000001489200000	FARM LOT U 87 14892	829,61	5 958 526	5 942 096	16 430
1067401	N0ES00000000747700000	FARM 7477 LOT F D ES	829,87	5 960 407	5 943 971	16 435
1111251	N0HT000000001480006	PORTION 6 OF FARM 148 WATERVAL HT	832,84	5 981 770	5 965 275	16 494
1096981	N0ES00000000864900000	FARM 8649 LOT F E ES	834,74	5 995 413	5 978 881	16 532
870261	C0340000000003710000	FARM 371 HUMANSDORP RD	836,15	6 005 501	5 988 942	16 560
1355242	T0LS00000000030600000	REMAINDER OF FARM 306 FLURIAN LS	837,87	6 017 853	6 001 259	16 594
754021	C0610000000000700009	REMAINDER OF PORTION 9 OF FARM 7 STINKFONTEIN PRINCE ALBERT RD	837,87	6 017 887	6 001 293	16 594
S42_31032015_0105	F0170000000006230000	REMAINDER OF FARM 623 ARCADIA HOOPSTAD RD	838,00	6 018 821	6 002 225	16 596
S42_31032015_00977	C0130000000003110000	FARM 311 OF CALEDON- FARM LANGE BERG	838,48	6 022 256	6 005 650	16 606
454881	T0JP00000000009200019	REMAINDER OF PORTION 19 OF FARM 92 JP JP	839,53	6 029 813	6 013 186	16 627
746211	C0090000000001830000	FARM 183 KLEIN PLAAT BEAUFORT WEST RD	843,06	6 055 117	6 038 421	16 696
475051	T0KT00000000054400000	FARM 544 PEACH TREE KT	843,15	6 055 825	6 039 126	16 698
100000034596	T0KT00000000049200000	FARM 492 OF SACRAMENTO CREEK KT	845,09	6 069 717	6 052 981	16 737

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS31032015_0141338	T0JT0000000001990000	REMAINDER OF FARM 199 OF QUANITA JT	846,41	6 079 206	6 062 443	16 763
200000078331	C0470000000001000003	REMAINDER OF PORTION 3 OF FARM 10 KRUISFONTEIN MARAISBURG RD	846,62	6 080 719	6 063 952	16 767
DD30082014_054675	F0150000000008930000	REMAINDER OF FARM 893 SEDAN HARRISMITH RD	847,57	6 087 574	6 070 788	16 786
482541	T0KT00000000053800001	PORTION 1 OF FARM 538 VADERLANDS WILGEBOOM KT	848,88	6 096 981	6 080 169	16 812
941861	C0040000000001580000	FARM 158 ALEXANDRIA RD	850,22	6 106 588	6 089 749	16 838
1184521	F0140000000013820000	REMAINDER OF FARM 1382 BEGEERLYK FRANKFORT RD	851,52	6 115 884	6 099 020	16 864
2784851	T0IT000000000980000	REMAINDER OF FARM 98 UMPILUSI IT	852,77	6 124 876	6 107 987	16 889
473021	T0KT00000000054100000	REMAINDER OF FARM 541 DRAKENSBERGEN KT	853,43	6 129 656	6 112 754	16 902
873811	C0760000000008400000	REMAINDER OF FARM 84 LANDDROST VEEPLAATS UITENHAGE RD	854,22	6 135 283	6 118 365	16 918
1027621	N0GS00000001560800000	REMAINDER OF FARM 15608 GUELDERLAND GS	854,40	6 136 599	6 119 677	16 921
DEEDS127854	T0KT00000000051000000	FARM 510 ROTUNDA CREEK KT	854,83	6 139 654	6 122 724	16 930
470501	T0KT00000000052700000	FARM 527 KRUGERS HOOP KT	855,56	6 144 914	6 127 970	16 944
10818	C0280000000025100146	PORTION 146 OF FARM 251 KALAHARI-WES GORDONIA RD	855,98	6 147 923	6 130 971	16 952
5248622	C0070000000025500001	PORTION 1 OF FARM 255 ARBEIDSVREUGD BARKLY WES RD	856,23	6 149 705	6 132 748	16 957
583721	C0070000000030600001	PORTION 1 OF FARM 306 GORDONSHOPE BARKLY WES RD	856,53	6 151 907	6 134 944	16 963
481501	T0KT00000000048800001	PORTION 1 OF FARM 488 DOORNHOEK KT	856,53	6 151 907	6 134 944	16 963
32451	T0KR00000000057500001	PORTION 1 OF FARM 575 GOEDGEDACHT KR	856,53	6 151 907	6 134 944	16 963
5248611	C0410000000067900002	PORTION 2 OF FARM 679 BLASHFORD KURUMAN RD	856,53	6 151 907	6 134 944	16 963
458711	T0IT00000000042100002	FARM 421 PORTION 2 IT	856,53	6 151 907	6 134 944	16 963

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS178870	T0HN0000000000840001	PORTION 1 OF FARM 84 LANGMEAD HN	856,54	6 151 969	6 135 005	16 964
100000034612	T0JT0000000002020000	FARM 202 OF LOT D JT	856,63	6 152 584	6 135 618	16 965
577401	C041000000006840003	PORTION 3 OF FARM 684 FRESHFORD KURUMAN RD	857,39	6 158 059	6 141 079	16 980
1127831	N0GS0000000100560000	REMAINDER OF FARM 10056 POCCOLAN GS	857,70	6 160 328	6 143 342	16 987
3034361	T0KU000000000000200000	FARM 2 OF KU	858,19	6 163 790	6 146 794	16 996
2932062	T0KS0000000008700000	REMAINDER OF FARM 870 KLIPSUIT KS	859,20	6 171 060	6 154 044	17 016
1674211	C076000000001200002	PORTION 2 OF FARM 120 MARION BAREE UITENHAGE RD	860,58	6 180 955	6 163 911	17 043
DEEDS145642	T0JU00000000600000178	PORTION 178 OF FARM 6000 0 JU	862,35	6 193 709	6 176 631	17 079
567581	C007000000003090002	PORTION 2 OF FARM 309 PLAAS 309 BARKLY WES RD	862,69	6 196 129	6 179 043	17 085
576191	C007000000003090001	PORTION 1 OF FARM 309 PLAAS 309 BARKLY WES RD	862,69	6 196 160	6 179 074	17 085
806491	C04300000000019700000	FARM 197 ROODE RAND LAINGSBURG RD	863,92	6 204 988	6 187 878	17 110
100000034584	T0JT0000000002010000	FARM 201 OF LOT E JT	864,27	6 207 469	6 190 352	17 117
390661	T0JT0000000002170001	PORTION 1 OF FARM 217 KLIPGAT JT	864,67	6 210 361	6 193 236	17 125
S42_31032015_0816	C02000000000018200000	FARM 182 CLANWILLIAM	869,80	6 247 190	6 229 964	17 226
DEEDS182269	C08100000000025100008	FARM 251 PORTION 8 OF VRYBURG RD-MAIN SECTION BLOCK B	873,84	6 276 188	6 258 882	17 306
1645901	T0IR0000000003920000	REMAINDER OF FARM 392 HOUTPOORT IR	874,61	6 281 752	6 264 431	17 321
1019301	N0FS0000000053860000	FARM 5386 LOT S 80 FS	878,04	6 306 419	6 289 029	17 389
DEEDS89654	N0GS00000000122400021	REMAINDER OF PORTION 21 OF FARM 1224 WALKERS HOEK GS	878,74	6 311 378	6 293 975	17 403
DD30082014_162898	T0JT0000000002440000	REMAINDER OF FARM 244 DOORNKRAAL JT	883,02	6 342 141	6 324 653	17 488

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS145643	T0JU00000000600000 179	PORTION 179 OF FARM 6000 0 JU	889,61	6 389 473	6 371 855	17 618
726541	C0130000000046800 000	FARM 468 MIER NEST CALEDON RD	892,96	6 413 548	6 395 863	17 685
583201	C0410000000043800 001	PORTION 1 OF FARM 438 GAMOHAAN KURUMAN RD	896,63	6 439 909	6 422 151	17 757
5248620	C0410000000068300 001	REMAINDER OF PORTION 1 OF FARM 683 YEOVIL KURUMAN RD	899,36	6 459 502	6 441 691	17 812
DD30082014_172 764	T0KT0000000050600 001	REMAINDER OF PORTION 1 OF FARM 506 BERLYN KT	901,26	6 473 145	6 455 296	17 849
DEEDS179099	T0IM0000000043600 010	PORTION 10 OF FARM 436 RYNO IM	902,78	6 484 110	6 466 231	17 879
32106521	F0150000000018700 001	PORTION 1 OF FARM 187 FRAZERFIELD HARRISMITH RD	904,45	6 496 061	6 478 149	17 912
DEEDS149340	T0LT0000000000100 002	PORTION 2 OF FARM 1 ROODEWAL LT	909,22	6 530 351	6 512 344	18 007
DEEDS3963	C011000000006400 002	REMAINDER OF PORTION 2 OF FARM 64 KLIP FONTEIN BREDASDORP RD	910,51	6 539 564	6 521 532	18 032
DD30082014_060 104	F0400000000013600 000	REMAINDER OF FARM 136 KRUIDFONTEIN WEPENER RD	911,65	6 547 797	6 529 742	18 055
1014441	N0FS00000000496400 000	FARM 4964 BELLEVUE FS	915,09	6 572 517	6 554 394	18 123
DEEDS3909	C0110000000017000 001	REMAINDER OF PORTION 1 OF FARM 170 BUFFELS FONTEIN BREDASDORP RD	916,84	6 585 094	6 566 936	18 158
S42_31032015_0 0859	C054000000000500 000	FARM 5 OUDTSHOORN	918,26	6 595 258	6 577 073	18 186
200000078016	C074000000000300 002	PORTION 2 OF FARM 3 BAKENSKOP TARKA RD	920,77	6 613 300	6 595 064	18 236
487021	T0KT0000000056500 002	REMAINDER OF PORTION 2 OF FARM 565 GEELHOUTBOOM KT	924,69	6 641 445	6 623 132	18 313
241771	F0400000000013700 000	REMAINDER OF FARM 137 TIENFONTEIN WEPENER RD	930,05	6 679 925	6 661 506	18 419
S42_31032015_0 0884	C0650000000017600 000	FARM 176 RIVIERSONDEREND	934,65	6 712 980	6 694 470	18 510
100000034674	T0JT0000000069900 000	REMAINDER OF FARM 699 OF MORGENZON JT	935,87	6 721 717	6 703 182	18 535
568881	C0310000000044000 002	PORTION 2 OF FARM 440 PLAAS 440 HAY RD	941,04	6 758 875	6 740 238	18 637

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS149339	T0LT000000000000100001	PORTION 1 OF FARM 1 ROODEWAL LT	942,19	6 767 098	6 748 438	18 660
DEEDS146101	T0KQ0000000002800007	PORTION 7 OF FARM 280 BUFFELSPoORT KQ	942,73	6 770 996	6 752 325	18 670
503441	T0JT0000000006990001	PORTION 1 OF FARM 699 MORGENZON JT	944,22	6 781 739	6 763 039	18 700
749401	C02000000000044000000	FARM 440 CLANWILLIAM RD	945,66	6 792 044	6 773 315	18 728
1112761	N0FT0000000019970003	PORTION 3 OF FARM 1997 MOOR FT	951,22	6 832 003	6 813 165	18 839
S42_31032015_00949	C0750000000004300000	ERF 43 OF PORTERVILLE	951,52	6 834 143	6 815 299	18 845
494251	T0JS0000000023500002	REMAINDER OF PORTION 2 OF FARM 235 LEEUWKLOOF JS	955,00	6 859 103	6 840 189	18 913
1013431	N0FS0000000114470000	FARM 11447 WESTVIEW FS	959,92	6 894 441	6 875 430	19 011
1188771	F00100000000029700000	FARM 297 GLADSTONE BETHLEHEM RD	960,34	6 897 498	6 878 479	19 019
DEEDS3962	C0110000000006400001	REMAINDER OF PORTION 1 OF FARM 64 KLIP FONTEIN BREDASDORP RD	963,48	6 920 054	6 900 972	19 081
720961	C01300000000054400000	REMAINDER OF FARM 544 CALEDON RD	964,10	6 924 515	6 905 421	19 094
713711	C07500000000025500000	FARM 255 KASTEELS KLOOF TULBAGH RD	966,47	6 941 545	6 922 405	19 141
1009741	N0FS0000000043300000	REMAINDER OF FARM 4330 COMPENSATION FS	966,60	6 942 419	6 923 276	19 143
562101	C00700000000030600003	PORTION 3 OF FARM 306 GORDONSHOPE BARKLY WES RD	966,85	6 944 242	6 925 093	19 148
32089	F03000000000026900000	ERF 625 PORTION 0 OF JT	975,73	7 008 017	6 988 693	19 324
S42_31032015_00845	C04300000000022800000	FARM 228 LADISMITH	976,89	7 016 352	6 997 005	19 347
485661	T0JT0000000006280002	PORTION 2 OF FARM 628 EMMENES JT	977,38	7 019 880	7 000 523	19 357
892041	C0760000000004500007	PORTION 7 OF FARM 45 WOODLANDS UITENHAGE RD	977,87	7 023 429	7 004 063	19 366
397621	T0JT0000000002420004	PORTION 4 OF FARM 242 TWEEFONTEIN JT	977,88	7 023 504	7 004 137	19 367

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
439781	T0KQ0000000002630004	REMAINDER OF PORTION 4 OF FARM 263 ELANDSHOEK KQ	985,93	7 081 268	7 061 742	19 526
1102771	N0HT0000000006640000	FARM 664 VLEIPLAATS HT	987,13	7 089 919	7 070 369	19 550
892531	C0440000000001540000	REMAINDER OF FARM 154 MINNEHAHA MACLEAR RD	987,52	7 092 675	7 073 118	19 557
469021	T0KT0006000000980000	ERF 98 OHRIGSTAD	988,00	7 096 155	7 076 588	19 567
495453	T0KP0000000001330001	REMAINDER OF PORTION 1 OF FARM 133 OPHIR KP	988,11	7 096 935	7 077 365	19 569
1637261	C0760000000000360000	FARM 36 UITENHAGE RD	992,27	7 126 800	7 107 149	19 652
940311	C0570000000000660000	REMAINDER OF FARM 66 LEMONFONTEIN PHILIPSTOWN RD	997,81	7 166 618	7 146 856	19 761
155421	T0KR0000000004190000	ERF 419 OF NYLSTROOM	999,73	7 180 382	7 160 583	19 799
D31032014_147042	T0KS0000000008870004	PORTION 4 OF FARM 887 UITVLUGT KS	1 005,57	7 222 339	7 202 424	19 915
DD_31032017_132805	T0KS0000000008870002	PORTION 2 OF FARM 887 UITVLUGT KS	1 005,88	7 224 564	7 204 643	19 921
S42_31032015_00860	C0540000000000600000	FARM 6 OUDTSHOORN	1 007,16	7 233 791	7 213 845	19 947
S42_31032015_00839	C0430000000002070000	FARM 207 LADISMITH	1 008,03	7 240 036	7 220 072	19 964
474001	T0KT0000000005580000	REMAINDER OF FARM 558 PAARDEKRAAL KT	1 014,11	7 283 673	7 263 589	20 084
DEEDS149905	T0LT0000000007630002	PORTION 2 OF FARM 763 FREE STATE LT	1 018,54	7 315 499	7 295 327	20 172
S42_31032015_00904	C0750000000002500006	FARM 250 PORTION 6 TULBAGH	1 024,36	7 357 305	7 337 018	20 287
574691	C0410000000005550002	PORTION 2 OF FARM 555 BRANKSEA KURUMAN RD	1 027,84	7 382 288	7 361 932	20 356
639303	C0110000000001690002	REMAINDER OF PORTION 2 OF FARM 169 BREDASDORP RD	1 028,45	7 386 708	7 366 340	20 368
5248625	C0070000000002580003	PORTION 3 OF FARM 258 0 BARKLY WES RD	1 028,66	7 388 194	7 367 822	20 372
DEEDS31032015_0026344	F0010000000007110000	FARM 711 SNOW HILLS BETHLEHEM RD	1 030,03	7 398 048	7 377 648	20 399

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
936721	C118000000003750000	FARM 375 KROMMERIVIERS HOOgte	1 031,31	7 407 203	7 386 779	20 425
744611	C065000000001450000	FARM 145 JONAS PLAATS ROBERTSON RD	1 035,82	7 439 593	7 419 079	20 514
489581	T0JU0000000003100000	REMAINDER OF FARM 310 HAYWARD JU	1 041,68	7 481 730	7 461 100	20 630
100000034976	T0JT0000000002600000	REMAINDER OF FARM 260 OF UITZOEK JT	1 043,81	7 497 001	7 476 328	20 672
1955131	T0KS0000000002410000	ERF 241 OF NEBO	1 046,61	7 517 097	7 496 370	20 728
453911	T0KT0000000004110000	FARM 411 BOVENOP KT	1 083,39	7 781 270	7 759 814	21 456
1603622	N0HU0000000000610000	REMAINDER OF FARM 61 PONGOLA	1 090,50	7 832 348	7 810 751	21 597
5248624	C0070000000002580002	PORTION 2 OF FARM 258 0 BARKLY WES RD	1 095,25	7 866 495	7 844 804	21 691
75263	T0KT0000000005550002	FARM 555 PORTION 2 KT	1 098,79	7 891 852	7 870 091	21 761
493781	T0JT0000000006040000	FARM 604 ZWARTKOP JT	1 099,92	7 900 026	7 878 242	21 784
S42_31032015_0799	C01300000000016800000	FARM 168 RIVIERSONDEREND	1 100,85	7 906 682	7 884 880	21 802
3048091	C06100000000018900000	FARM 189 OF PRINCE ALBERT- FARM SPEKBOOM BERG	1 109,30	7 967 345	7 945 376	21 969
8321811	C00200000000019200000	FARM 192 ALBANY RD	1 109,45	7 968 442	7 946 469	21 972
DEEDS140261	T0IQ0000000000200003	REMAINDER OF PORTION 3 OF FARM 20 BOOYSKRAAL IQ	1 120,82	8 050 140	8 027 943	22 198
S42_31032015_0880	C06400000000044000000	FARM 44 RIVERSDALE	1 125,11	8 080 919	8 058 637	22 282
DD30082014_158076	T0JS0000000001030000	FARM 103 DONKERHOEK JS	1 125,35	8 082 683	8 060 395	22 287
100000028808	T0LT0000000004900000	FARM 490 OF HELSCHE BOSCH LT	1 126,61	8 091 706	8 069 394	22 312
2935762	F03500000000073400000	REMAINDER OF FARM 734 GLEN ROSS VENTERSBURG RD	1 129,77	8 114 381	8 092 006	22 375
495452	T0KP0000000001330000	REMAINDER OF FARM 133 OPHIR KP	1 134,56	8 148 787	8 126 317	22 470

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
5248621	C0070000000002550000	REMAINDER OF FARM 255 ARBEIDSVREUGD BARKLY WES RD	1 137,94	8 173 059	8 150 523	22 536
783421	C0500000000001700003	PORTION 3 OF FARM 170 QUARRIEBOSCH KLOOF MONTAGU RD	1 142,83	8 208 213	8 185 579	22 633
DEEDS179144	T0IM0000000004910001	PORTION 1 OF FARM 491 LOLWANEN IM	1 156,33	8 305 131	8 282 231	22 901
DD30082014_102351	T0HO0000000003550022	REMAINDER OF PORTION 22 OF FARM 355 VAALBANK HO	1 163,23	8 354 751	8 331 714	23 037
S42_31032015_00810	C0140000000000600000	FARM 6 CALITZDORP	1 173,61	8 429 292	8 406 049	23 243
S42_31032015_00852	C0500000000001620000	FARM 162 MONTAGU	1 177,95	8 460 470	8 437 141	23 329
DD30082014_157982	T0JS00000000008300000	REMAINDER OF FARM 83 WELTEVREDEN JS	1 178,38	8 463 537	8 440 200	23 337
888461	C0210000000000700000	REMAINDER OF FARM 7 ROODEWAL COLESBERG RD	1 178,46	8 464 122	8 440 783	23 339
3153031	F0210000000003700007	PORTION 7 OF FARM 37 MARSEILLES LADYBRAND RD	1,04	30 860	7 425	23 435
391211	T0JT00000000022700001	PORTION 1 OF FARM 227 ZWARTFONTEIN JT	1 191,44	8 557 303	8 533 707	23 596
889971	C03400000000078800001	PORTION 1 OF FARM 788 HUMANSDORP RD	1 194,14	8 576 697	8 553 048	23 649
DEEDS3952	C0110000000003370000	REMAINDER OF FARM 337 SKIHAVEN BREDASDORP RD	1 194,15	8 576 809	8 553 159	23 650
796551	C0530000000002020000	FARM 202 SPEKTADEL NAMAQUALAND RD	1 195,38	8 585 652	8 561 978	23 674
797621	C0190000000002640000	FARM 264 KARREE KLOOF CERES RD	1 201,22	8 627 557	8 603 768	23 790
DEEDS3908	C0110000000001700000	REMAINDER OF FARM 170 BUFFELS FONTEIN BREDASDORP RD	1 202,17	8 634 410	8 610 601	23 809
3048101	C0610000000001880000	FARM 188 OF PRINCE ALBERT- FARM SPEKBOOM BERG	1 207,41	8 672 035	8 648 123	23 912
S42_31032015_00820	C0200000000002780000	FARM 278 CLANWILLIAM	1 214,13	8 720 269	8 696 224	24 045
D31032014_144279	T0JU00000000093900000	FARM 939 O JU	1 229,14	8 828 136	8 803 793	24 343
1125121	N0GS00000000238400000	REMAINDER OF FARM 2384 NOLANS VOLENS GS	1 230,25	8 836 045	8 811 681	24 365

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
S42_31032015_00893	C0730000000000720000	FARM 72 SUURBRAAK	1 230,84	8 840 331	8 815 954	24 376
1209811	F0030000000024670000	FARM 2467 BLESBOKPAN BLOEMFONTEIN RD	1 233,41	8 858 746	8 834 319	24 427
200000078350	C0470000000000170000	REMAINDER OF FARM 17 GROOT DOORNHOEK MARAISBURG RD	1 233,43	8 858 940	8 834 512	24 428
702511	C0850000000005040000	REMAINDER OF FARM 504 WAGENBOOMS BERG WORCESTER RD	1 237,16	8 885 724	8 861 222	24 502
3034211	T0IP0000000003830002	REMAINDER OF PORTION 2 OF FARM 383 MODDERFONTEIN IP	1 243,05	8 928 040	8 903 422	24 618
914061	C0210000000000700001	PORTION 1 OF FARM 7 ROODEWAL COLESBERG RD	1 244,54	8 938 721	8 914 073	24 648
709151	C0750000000002070000	REMAINDER OF FARM 207 VOGL VALLEY TULBAGH RD	1 257,54	9 032 106	9 007 201	24 905
DEEDS17693	C0360007000007660000	REMAINDER OF ERF766 KAKAMAS SUID SETT	1 263,89	9 077 681	9 052 650	25 031
DEEDS143643	T0JQ00000000030800015	REMAINDER OF PORTION 15 OF FARM 308 BAVIAANSKRANS JQ	1 270,45	9 124 843	9 099 683	25 161
897501	C0270000000000600000	FARM 6 UPPER DIEP KLOOF GEORGE RD	1 271,24	9 130 507	9 105 330	25 177
32455	T0KR00000000059500000	REMAINDER OF FARM 595 BOOMFONTEIN KR	1 278,16	9 180 204	9 154 890	25 314
3164551	T0LS00000000080800001	REMAINDER OF PORTION 1 OF FARM 808 ROODEWAL LS	1 284,25	9 223 925	9 198 490	25 434
581661	C0310000000043900001	PORTION 1 OF FARM 439 PLAAS 439 HAY RD	1 284,80	9 227 861	9 202 416	25 445
600000010129	T0IM00000000024400001	PORTION 1 OF FARM 244 IM	1 285,41	9 232 240	9 206 783	25 457
974811	N0ES000000001030000	FARM 103 MOUNT CURRIE	1 289,14	9 259 051	9 233 520	25 531
393441	T0JT00000000023700001	PORTION 1 OF FARM 237 KLIPBANKSPRUIT JT	1 290,05	9 265 592	9 240 043	25 549
901251	C0770000000009300000	FARM 93 BUITEN GEBRUIK UNIONDALE RD	1 295,50	9 304 760	9 279 103	25 657
DEEDS142939	T0JP0000000009500002	PORTION 2 OF FARM 95 ZANDPOORTJE JP	1 296,89	9 314 694	9 289 010	25 684
929751	C0540000000007400001	PORTION 1 OF FARM 74 SOLOMONS KRAL OUDTSHOORN RD	1 300,36	9 339 601	9 313 848	25 753

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
5248616	C041000000006830000	REMAINDER OF FARM 683 YEOVIL KURUMAN RD	1 301,66	9 348 964	9 323 185	25 779
798351	C019000000003480000	FARM 348 LATJES KLOOF CERES RD	1 304,95	9 372 605	9 346 760	25 844
DEEDS124959	T0JU00000000300000165	PORTION 165 OF FARM 3000 KAAPSCHE BLOK C JU	1 305,74	9 378 295	9 352 435	25 860
S42_31032015_00864	C054000000000140000	FARM 14 OUDTSHOORN	1 325,06	9 517 031	9 490 789	26 242
DEEDS178629	T0HM0000000001150002	PORTION 2 OF FARM 115 KANGKURU HM	1 328,65	9 542 787	9 516 473	26 313
1355243	T0LS0000000003070000	FARM 307 EDNA LS	1 337,34	9 605 239	9 578 753	26 486
716151	C0610000000001920000	REMAINDER OF FARM 192 DE WETS VLEY PRINCE ALBERT RD	1 338,58	9 614 147	9 587 637	26 510
3048111	C0610000000001870000	FARM 187 OF PRINCE ALBERT RD- ANGELIERS BERG	1 345,75	9 665 651	9 638 999	26 652
498821	T0JT0000000007120000	REMAINDER OF FARM 712 WELTEVREDEN JT	1 346,84	9 673 475	9 646 801	26 674
503791	T0JT0000000007120001	PORTION 1 OF FARM 1 WELTEVREDEN JT	1 346,84	9 673 487	9 646 813	26 674
DEEDS151368	T0MS0000000004590000	REMAINDER OF FARM 459 ZOUTPAN MS	1 367,50	9 821 827	9 794 745	27 083
S42_31032015_00836	C04300000000020400000	FARM 204 LADISMITH	1 370,76	9 845 296	9 818 149	27 148
DEEDS27210	C05700000000006400000	REMAINDER OF FARM 64 ROODE KOP PHILIPSTOWN RD	1 387,36	9 964 464	9 936 988	27 476
100000034594	T0KT0000000004820000	FARM 482 OF NORMADEALE KT	1 392,94	10 004 600	9 977 013	27 587
S42_31032015_00837	C04300000000020500000	FARM 205 LADISMITH	1 399,04	10 048 371	10 020 664	27 708
DEEDS3966	C0110000000006400010	REMAINDER OF PORTION 10 OF FARM 64 KLIP FONTEIN BREDASDORP RD	1 409,00	10 119 887	10 091 982	27 905
892101	C07700000000008600000	FARM 86 DES DUVELS SPEELPLAATS UNIONDALE RD	1 411,45	10 137 522	10 109 569	27 953
S42_31032015_00135	F0170000000003400001	PORTION 1 OF FARM 34 BULTFONTEIN HOOPSTAD RD	1 419,08	10 192 346	10 164 241	28 104
S42_31032015_00881	C0640000000007600000	FARM 0 RIVERSDALE	1 422,88	10 219 629	10 191 450	28 180

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
563211	C0410000000043800000	REMAINDER OF FARM 438 GAMOHAAN KURUMAN RD	1 449,06	10 407 673	10 378 975	28 698
S42_31032015_00844	C0430000000022700000	FARM 227 LADISMITH	1 469,69	10 555 852	10 526 745	29 107
S42_31032015_00958	C0610000000019600000	FARM 196 OF PRINCE ALBERT- FARM SPEKBOOM BERG	1 472,51	10 576 082	10 546 919	29 163
DEEDS92059	N0HV0000000158340003	PORTION 3 OF FARM 15834 RESERVE NO 14 HV	1 473,08	10 580 179	10 551 005	29 174
S42_31032015_00833	C0420000000018700000	FARM 187 LADISMITH	1 488,36	10 689 923	10 660 446	29 477
448831	T0JT00000000017500000	FARM 175 LUNSKLIP JT	1 501,79	10 786 344	10 756 601	29 742
928381	C0540000000012700000	FARM 127 PAARDE KLOOF	1 508,35	10 833 508	10 803 636	29 872
3048281	C0610000000019500000	FARM 195 OF PRINCE ALBERT RD-GROOT KLOOF	1 513,67	10 871 691	10 841 713	29 978
DEEDS6422	C0190000000005800000	FARM 58 HEXBERG CERES RD	1 527,92	10 974 059	10 943 799	30 260
903081	C0770000000009200000	FARM 92 UITZIGT UNIONDALE RD	1 540,94	11 067 588	11 037 070	30 518
524863	C0410000000067500000	REMAINDER OF FARM 675 THAAKWANENG KURUMAN RD	1 541,17	11 069 178	11 038 656	30 522
443321	T0HT0000000002300000	FARM 23 OF HT-GROOTSPRUIT	1 560,86	11 210 661	11 179 749	30 912
200000082663	TOLS00000000030300000	REMAINDER OF FARM 303 SLIEDRECHT LS	1 576,93	11 326 055	11 294 824	31 231
705311	C0750000000026000000	REMAINDER OF FARM 260 KNOL VLEI FOREST RESERVE TULBAGH RD	1 588,28	11 407 577	11 376 121	31 455
5248610	C0410000000067900000	REMAINDER OF FARM 679 BLASHFORD KURUMAN RD	1 601,07	11 499 432	11 467 723	31 709
1044731	N0GV00000001486600000	REMAINDER OF FARM 14866 ELDERSLIE	1 602,41	11 509 042	11 477 307	31 735
418341	T0KT0000000041300008	REMAINDER OF PORTION 8 OF FARM 413 RIETVLEY KT	1 609,33	11 558 774	11 526 902	31 872
577301	C0310000000045400000	FARM 454 OF HAY RD-MIMOSA	1 614,47	11 595 687	11 563 713	31 974
756741	C0610000000019100000	FARM 191 DORPS RIVIER PRINCE ALBERT RD	1 626,55	11 682 420	11 650 207	32 213

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS89769	N0GS0000000012610000	REMAINDER OF FARM 1261 LOMBARDS KOP GS	1 634,17	11 737 153	11 704 789	32 364
800181	C04200000000018000000	FARM 180 EZELRAND LADISMITH RD	1 635,32	11 745 446	11 713 059	32 387
873541	C02700000000013700000	FARM 137 KLEIN FONTEIN BERG GEORGE RD	1 642,83	11 799 358	11 766 822	32 536
947361	C01200000000013200000	REMAINDER OF FARM 132 NEW VAALKOP BRITSTOWN RD	1 649,42	11 846 672	11 814 006	32 666
S42_31032015_00900	C07300000000040100000	FARM 401 RIVIERSONDEREND	1 653,18	11 873 696	11 840 955	32 741
DEEDS31032015_0117019	T0KT000000000009000000	FARM 9 BADEN KT	1 672,94	12 015 607	11 982 475	33 132
1018871	N0GT0000000011500000	REMAINDER OF FARM 1150 BLINKWATER GT	1 674,64	12 027 849	11 994 683	33 166
396661	T0JT0000000002420003	PORTION 3 OF FARM 242 TWEEFONTEIN JT	1 681,54	12 077 412	12 044 109	33 302
5248623	C00700000000256000000	REMAINDER OF FARM 256 MALANS RUST BARKLY WES RD	1 688,81	12 129 644	12 096 197	33 446
880661	C05400000000092000000	REMAINDER OF FARM 92 RYKDOM OUDTSHOORN RD	1 692,73	12 157 791	12 124 266	33 524
3208191	T0JU0000000005470000	FARM 547 VAALRIBBOK JU	1 703,98	12 238 545	12 204 798	33 747
DEEDS179403	T0JM0000000000100080	PORTION 80 OF FARM 1 R/E VAN BLOCK C 2ND RAILWAY GRANT NR 1 JM	1 712,56	12 300 183	12 266 267	33 917
899551	C07600000000059600000	FARM 596 UITENHAGE RD	1 712,83	12 302 122	12 268 200	33 922
3152081	C04100000000055600000	REMAINDER OF FARM 556 KOLI KURUMAN RD	1 713,06	12 303 814	12 269 887	33 927
3048081	C06100000000019300000	FARM 193 OUDTSHOORN	1 727,00	12 403 875	12 369 672	34 203
DODDB0910	T0MS000000000171000000	FARM 171 LANDBOU MS	1 727,71	12 409 042	12 374 826	34 217
892161	C02100000000006000000	FARM 6 OVERSCHOT COLESBERG RD	1 739,62	12 494 523	12 460 071	34 453
3048131	C06100000000018300000	FARM 183 OF PRINCE ALBERT RD-VENTERSKLOOF ANNEX	1 760,48	12 644 384	12 609 518	34 866
508381	T0KU000000000009000000	FARM 9 RHODA KU	1 769,75	12 710 988	12 675 939	35 049

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
3048381	C06100000000020900 000	FARM 209 OSSEN BERG PRINCE ALBERT RD	1 778,65	12 774 845	12 739 619	35 226
S42_31032015_0 0915	C06100000000018500 000	FARM 185 OUDTSHOORN	1 781,22	12 793 342	12 758 066	35 277
DEEDS175838	T0KS00090000075400 000	AGRICULTURAL HOLDING 754 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175210	T0KS00090000012200 000	AGRICULTURAL HOLDING 122 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175211	T0KS00090000012300 000	AGRICULTURAL HOLDING 123 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175272	T0KS00090000018100 000	AGRICULTURAL HOLDING 181 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175743	T0KS00090000066300 000	AGRICULTURAL HOLDING 663 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175460	T0KS00090000036400 000	AGRICULTURAL HOLDING 364 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175897	T0KS00090000081400 000	AGRICULTURAL HOLDING 814 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175895	T0KS00090000081200 000	AGRICULTURAL HOLDING 812 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175926	T0KS00090000009100 000	AGRICULTURAL HOLDING 91 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175403	T0KS00090000031100 000	AGRICULTURAL HOLDING 311 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175664	T0KS00090000059000 000	AGRICULTURAL HOLDING 590 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175791	T0KS00090000070800 000	AGRICULTURAL HOLDING 708 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175872	T0KS00090000078700 000	AGRICULTURAL HOLDING 787 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175896	T0KS00090000081300 000	AGRICULTURAL HOLDING 813 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
DEEDS175461	T0KS00090000036500 000	AGRICULTURAL HOLDING 365 ZEBEDIELA HOLDINGS LS	1 784,54	12 817 150	12 781 808	35 342
1119071	N0ES0000000172600 0000	REMAINDER OF FARM 17260 0 ES	1 791,14	12 864 582	12 829 109	35 473
DD30082014_158 400	T0JS00000000041100 000	FARM 411 GEMSBOKFONTEIN JS	1 793,08	12 878 525	12 843 014	35 511

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1214831	F0030000000024690000	REMAINDER OF FARM 2469 SALISBURY PLAIN BLOEMFONTEIN RD	1 804,49	12 960 451	12 924 714	35 737
DEEDS127934	T0KU00000000020400000	FARM 204 DARGAI KU	1 809,36	12 995 432	12 959 598	35 834
893851	C0540000000000010000	FARM 1 KRIEGASBERG OUDTSHOORN RD	1 809,46	12 996 129	12 960 294	35 836
DEEDS182272	C08100000000025100011	PORTION 11 OF FARM 251 MAIN SECTION BLOCK B VRYBURG RD	1 814,60	13 033 064	12 997 126	35 938
524865	C0410000000006760000	REMAINDER OF FARM 676 MOUNT HUXLEY KURUMAN RD	1 818,58	13 061 657	13 025 640	36 016
S42_31032015_00818	C0200000000002760000	FARM 276 CLANWILLIAM	1 820,05	13 072 208	13 036 162	36 045
DD30082014_175075	T0LR00000000086300000	FARM 863 OF LR-RIETFONTEIN	1 840,11	13 216 275	13 179 832	36 443
1080051	N0FT000086000000095	PORTION 95 OF FARM 860 GLEN FT	1 840,33	13 217 914	13 181 467	36 447
DEEDS143111	T0JQ00000000013500000	REMAINDER OF FARM 135 NOOTGEDACHT JQ	1 853,14	13 309 907	13 273 206	36 701
508801	T0KU00000000010000000	REMAINDER OF FARM 10 SHEILA KU	1 871,07	13 438 654	13 401 599	37 056
DD30082014_020798	C0210000000001400000	REMAINDER OF FARM 14 DOORNHOEK COLESBERG RD	1 872,44	13 448 479	13 411 396	37 083
DEEDS148604	T0LR00000000086700000	FARM 867 OF LR-HOLMESLEIGH	1 883,37	13 526 998	13 489 698	37 300
DEEDS124312	T0JS00000000008500000	FARM 85 RHENOSTERHOEK JS	1 893,95	13 602 984	13 565 475	37 509
DEEDS139834	T0IP00000000038300001	PORTION 1 OF FARM 383 MODDERFONTEIN IP	1 896,88	13 624 064	13 586 497	37 567
DEEDS178872	T0HN0000000000840004	PORTION 4 OF FARM 84 LANGMEAD HN	1 897,37	13 627 571	13 589 994	37 577
906881	C0510000000002770000	FARM 277 DRIE BRAKKEFONTEINEN MOSSEL BAY RD	1 898,93	13 638 778	13 601 170	37 608
501111	T0IU00000000000500000	FARM 5 OF IU-KRANSKOP	1 899,74	13 644 581	13 606 957	37 624
DEEDS17277	C03400000000058300000	REMAINDER OF FARM 583 FARM 583 HUMANSDORP RD	1 904,29	13 677 285	13 639 571	37 714
832184	C0020000000018900000	REMAINDER OF FARM 189 BURNT KRAAL ALBANY RD	1 912,82	13 738 511	13 700 628	37 883

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DD30082014_054 590	F01500000000018600 001	PORTION 1 OF FARM 186 STRATHERRICK HARRISMITH RD	1 923,38	13 814 342	13 776 250	38 092
DD30082014_001 654	C00400000000007400 000	FARM 74 ALEXANDRIA RD	1 939,69	13 931 547	13 893 132	38 415
DD30082014_157 980	T0JS000000000008000 000	REMAINDER OF FARM 80 VERGELEGEN	1 943,33	13 957 641	13 919 154	38 487
S42_31032015_0 0965	C06100000000020300 000	FARM 203 OF PRINCE ALBERT- FARM SPEKBOOM BERG	1 965,44	14 116 494	14 077 569	38 925
1599911	C07600000000002400 000	REMAINDER OF FARM 24 BREAK NECK UITENHAGE RD	1 967,66	14 132 404	14 093 435	38 969
1234151	F003000000000247100 000	REMAINDER OF FARM 2471 RUSTPAN BLOEMFONTEIN RD	1 970,02	14 149 345	14 110 329	39 016
881581	C08300000000020400 000	FARM 204 BOSCH KLOOF WILLOWMORE RD	1 970,05	14 149 560	14 110 543	39 016
3048071	C06100000000019400 000	FARM 194 OF PRINCE ALBERT RD- PAARDE VLEY	1 984,91	14 256 299	14 216 989	39 310
3048271	C06100000000020100 000	FARM 201 OF PRINCE ALBERT RD- WATERKLOOF	1 991,08	14 300 623	14 261 191	39 433
S42_31032015_0 0809	C0140000000000500 000	FARM 5 OF CALITZDORP	1 997,46	14 346 473	14 306 913	39 559
S42_31032015_0 0840	C04300000000021400 000	FARM 214 LADISMITH	2 000,36	14 367 266	14 327 650	39 616
924211	C05400000000012600 000	FARM 126 ROODE ELS KLOOF OUDTSHOORN RD	2 010,81	14 442 319	14 402 496	39 823
3048051	C06100000000019800 000	FARM 198 OF PRINCE ALBERT RD-GROOT VLEY	2 037,79	14 636 094	14 595 736	40 358
D_3132013_8524 5	T0JS00000000010200 000	FARM 102 ZAAGKUIL JS	2 046,44	14 698 218	14 657 689	40 529
S42_31032015_0 0842	C04300000000021800 000	FARM 218 LADISMITH	2 046,52	14 698 792	14 658 262	40 531
785301	C07800070000031800 000	REMAINDER OF ERF 318 OLIFANTS RIVIER SETT	2 055,68	14 764 577	14 723 865	40 712
714831	C07800000000028700 000	FARM 287 OLIFANTS RIVIER SETTLEMENT VANRHYNSDORP RD	2 055,68	14 764 577	14 723 865	40 712
874601	C02100000000008300 000	FARM 83 GOODLANDS COLESBERG RD	2 071,30	14 876 798	14 835 776	41 021
756121	C06100000000019000 000	FARM 190 VOET PADS BERG PRINCE ALBERT RD	2 090,19	15 012 458	14 971 062	41 396

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS89817	N0GS0000000012650001	PORTION 1 OF FARM 1265 KERK PLAATS GS	2 091,01	15 018 370	14 976 959	41 412
5248614	C041000000006810000	FARM 681 BILLINGHURST KURUMAN RD	2 102,79	15 102 932	15 061 287	41 645
600000010016	F0030000000022770000	FARM 2277 OF TEMPE BLOEMFONTEIN RD	2 108,18	15 141 658	15 099 906	41 752
720302	C0530005000000010000	REMAINDER OF ERF 1 HONDEKLIPBAAI	2 127,19	15 278 241	15 236 112	42 128
3169601	T0LT0000000007630000	REMAINDER OF FARM 763 FREE STATE LT	2 141,33	15 379 768	15 337 359	42 408
DEEDS178970	T0IM00000000023200010	PORTION 10 OF FARM 10 PEPANI IM	2 141,33	15 379 768	15 337 359	42 408
913121	C0760000000000240004	PORTION 4 OF FARM 24 BREAK NECK UITENHAGE RD	2 183,92	15 685 694	15 642 443	43 252
566921	C041000000005550000	REMAINDER OF FARM 555 BRANKSEA KURUMAN RD	2 206,16	15 845 395	15 801 703	43 692
750051	C020000000003390000	FARM 339 VAN ROOYENS KRAAL CLANWILLIAM RD	2 209,55	15 869 767	15 826 007	43 759
471901	T0KT0000000005380000	REMAINDER OF FARM 538 VADERLANDS WILGEBOOM KT	2 210,29	15 875 088	15 831 314	43 774
1507661	N0FT0000000831400000	FARM 8314 ITAFAMASA MISSION RESERVE FT	2 216,04	15 916 327	15 872 440	43 888
3048011	C061000000002020000	FARM 202 OF PRINCE ALBERT RD-BOTES NEK	2 226,44	15 991 042	15 946 948	44 094
584251	C007000700003990000	AGRICULTURAL HOLDING 399 VAALHARTSNEDERSETTING B AGRICULTURAL HOLDING	5,21	81 429	37 313	44 116
DEEDS3959	C011000000003520000	FARM 352 BREDASDORP RD	2 245,28	16 126 364	16 081 896	44 467
S42_31032015_0865	C054000000001280000	FARM 128 OUDTSHOORN	2 246,67	16 136 329	16 091 834	44 495
3048041	C061000000001990000	FARM 199 OF PRINCE ALBERT RD-DOORN KLOOF	2 266,26	16 277 085	16 232 202	44 883
912181	C118000000001770000	FARM 177 TOVERWATER	2 270,61	16 308 295	16 263 326	44 969
D31032014_155581	T0KP0000000003980000	FARM 398 NOOTGEDACHT KP	2 272,79	16 323 983	16 278 971	45 012
3048031	C061000000002000000	FARM 200 OF PRINCE ALBERT RD-BUSHMANS KLOOF	2 273,86	16 331 652	16 286 619	45 033

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
1020621	N0ES0000000172580002	PORTION 2 OF FARM 17258 ES ES	2 298,45	16 508 267	16 462 747	45 520
3048411	C0610000000002040000	FARM 204 OF PRINCE ALBERT- FARM SPEKBOOM BERG	2 300,46	16 522 720	16 477 160	45 560
200000058871	T0JQ0000000004050002	REMAINDER OF PORTION 2 OF FARM 405 LOSPERFONTEIN JQ	2 307,02	16 569 834	16 524 144	45 690
S42_31032015_0843	C0430000000002260000	FARM 226 LADISMITH	2 328,34	16 722 934	16 676 822	46 112
S42_31032015_0812	C0140000000000800000	FARM 8 CALITZDORP	2 331,26	16 743 922	16 697 752	46 170
DEEDS45303	C0070000000003080000	FARM 308 PLAAS 308 BARKLY WEST RD	2 343,23	16 829 895	16 783 488	46 407
939441	C0760000000001800000	REMAINDER OF FARM 18 DEEP DRIFT UITENHAGE RD	2 345,57	16 846 692	16 800 239	46 453
3026241	N0GT00000001543300000	FARM 15433 OF QUDENI FOREST RESERVE	2 356,50	16 925 215	16 878 546	46 670
742831	C0610000000018400000	FARM 184 KLAARSTROOM PRINCE ALBERT RD	2 375,31	17 060 263	17 013 221	47 042
S42_31032015_0104	F0170000000000780000	FARM 78 VET RIVIER'S MOND HOOPSTAD RD	2 382,66	17 113 067	17 065 879	47 188
S42_31032015_0834	C0420000000001880000	FARM 188 LADISMITH	2 382,97	17 115 282	17 068 088	47 194
712871	C0750000000002500004	PORTION 4 OF FARM 250 WATERVALS BERG TULBAGH RD	2 385,31	17 132 138	17 084 898	47 240
3048391	C0610000000002070000	FARM 207 OF PRINCE ALBERT RD-GAMKAS BERG	2 403,40	17 262 046	17 214 447	47 599
D31032014_155593	T0KQ00000000039600000	REMAINDER OF FARM 396 WITFONTEIN KQ	2 414,58	17 342 324	17 294 504	47 820
3169891	C0420000000001830000	FARM 183 KROON LADISMITH RD	2 426,39	17 427 173	17 379 119	48 054
2937992	N0GS00000000133200000	FARM 1332 OF BRAKFONTEIN	2 432,57	17 471 536	17 423 359	48 176
S42_31032015_0861	C0540000000000700000	FARM 7 OUDTSHOORN	2 456,53	17 643 669	17 595 018	48 651
S42_31032015_0811	C0140000000000700000	FARM 7 CALITZDORP	2 457,19	17 648 396	17 599 732	48 664
909171	C0540000000008900000	REMAINDER OF FARM 89 DOORNKUIL & RHENOSTERHOEK OUDTSHOORN RD	2 476,74	17 788 762	17 739 711	49 051

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
DEEDS179419	T0JM0000000001890008	PORTION 8 OF FARM 189 0 JM	2 479,29	17 807 141	17 758 039	49 102
DEEDS128224	T0KU0000000003000000	FARM 300 DERRICK KU	2 492,33	17 900 747	17 851 387	49 360
DEEDS151346	T0MS0000000000370000	FARM 37 GREEFSWALD MS	2 503,84	17 983 429	17 933 841	49 588
1354761	T0LR0000000008050000	FARM 805 APPINGENDAM LR	2 531,68	18 183 427	18 133 288	50 139
3025561	C01900000000034700000	FARM 347 HARTEBEESTE KRAAL CERES RD	2 547,08	18 294 008	18 243 564	50 444
DEEDS179420	T0JM00000000018900010	PORTION 10 OF FARM 189 0 JM	2 569,30	18 453 568	18 402 684	50 884
562781	C04100000000055600001	PORTION 1 OF FARM 556 KOLI KURUMAN RD	2 569,50	18 455 027	18 404 138	50 888
DEEDS178871	T0HN0000000000840003	PORTION 3 OF FARM 84 LANGMEAD HN	2 569,60	18 455 721	18 404 831	50 890
472461	T0KT0000000005400000	FARM 540 HEBRON KT	2 586,83	18 579 518	18 528 287	51 231
706901	C00900000000019700001	PORTION 1 OF FARM 197 DOORNHOEK BEAUFORT WEST RD	2 633,87	18 917 375	18 865 212	52 163
906501	C00300000000025600000	REMAINDER OF FARM 256 ALBERT RD	2 679,31	19 243 733	19 190 670	53 063
S42_31032015_0918	C07700000000005700000	FARM 57 UNIONDALE WESTERN CAPE	2 691,68	19 332 559	19 279 251	53 308
600000010094	T0KU0000000003440000	FARM 344 OF BRANDYBAL KU	2 694,88	19 355 529	19 302 158	53 371
S42_31032015_0815	C02000000000018100000	FARM 181 CLANWILLIAM	2 705,97	19 435 207	19 381 616	53 591
3048401	C06100000000020500000	FARM 205 OF PRINCE ALBERT RD- PAARDE KRAAL	2 722,21	19 551 827	19 497 915	53 912
448061	T0JT0000000001630000	FARM 163 HARTEBEESTVLAKTE JT	2 724,33	19 567 083	19 513 129	53 955
3182301	T0JS0000000002730000	FARM 273 DOORNKOP JS	2 724,52	19 568 437	19 514 479	53 958
DD_31032017_18765	C09000000000003800000	FARM 38 0	2 740,57	19 683 738	19 629 462	54 276
3180541	T0KS0000000007670000	ERF 767 OF GA-MASEMOLA	2 746,66	19 727 443	19 673 047	54 397

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
801221	C0190000000003550000	FARM 355 CERES RD	2 759,25	19 817 856	19 763 210	54 646
600000010100	T0KU00000000035500000	FARM 355 GENOA KU	2 765,62	19 863 605	19 808 833	54 772
S42_31032015_00885	C0650000000001850000	FARM 185 RIVIERSONDEREND	2 780,40	19 969 765	19 914 700	55 065
S42_31032015_00892	C0730000000000350000	FARM 35 BARRYDALE	2 783,16	19 989 584	19 934 464	55 120
600000010113	T0KU00000000038600000	FARM 386 OF EGYpte KU	2 784,17	19 996 866	19 941 726	55 140
600000010103	T0KU00000000035800000	FARM 358 OF CONGCONIA KU	2 845,80	20 439 537	20 383 177	56 360
475821	T0KT00000000056500000	REMAINDER OF FARM 565 GEELHOUTBOOM KT	2 849,20	20 463 941	20 407 513	56 428
1050481	N0GS00000001287300000	REMAINDER OF FARM 12873 LOMBARDS KOP SETTLEMENT GS	2 876,99	20 663 503	20 606 525	56 978
200000077586	T0KU00000000036900000	FARM 369 GOEDGENOEG KU	2 881,38	20 695 046	20 637 981	57 065
DEEDS128289	T0KU00000000037400000	FARM 374 VENETIA KU	2 881,58	20 696 502	20 639 433	57 069
DD30082014_178002	T0LT00000000001200000	FARM 12 LISBON LT	2 890,79	20 762 665	20 705 414	57 251
893651	C0570000000000650000	REMAINDER OF FARM 65 ROLLFONTEIN PHILIPSTOWN RD	2 895,96	20 799 776	20 742 422	57 354
S42_31032015_00862	C0540000000000800000	FARM 8 OUDTSHOORN	2 902,62	20 847 593	20 790 108	57 485
3048061	C0610000000001970000	FARM 197 OF PRINCE ALBERT RD-KLIPHUIS VLEY	2 903,37	20 852 996	20 795 495	57 500
382501	T0JT00000000019500000	REMAINDER OF FARM 195 SPITSKOP JT	2 944,50	21 148 430	21 090 115	58 315
200000077588	T0KU00000000039200000	FARM 392 LILIESDALE KU	2 957,21	21 239 664	21 181 098	58 567
939331	C0770000000000670004	PORTION 4 OF FARM 67 PIETS LAAGTE UNIONDALE RD	2 971,54	21 342 649	21 283 798	58 850
600000010073	T0KU00000000013900000	FARM 139 OF GROOTBOOM KU	2 977,22	21 383 403	21 324 440	58 963
3150131	F0420000000012450000	REMAINDER OF FARM 1245 KRUIDBADEN WINBURG RD	3 007,02	21 597 438	21 537 885	59 553

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
444161	TOLU000000000003100000	FARM 31 LOOLE LU	3 014,21	21 649 094	21 589 398	59 695
600000010089	TOKU000000000033300000	FARM 333 OF BESANCON KU	3 014,73	21 652 836	21 593 131	59 706
600000010102	TOKU000000000035700000	FARM 357 OF INKLAMALA KU	3 046,70	21 882 426	21 822 087	60 339
5248615	C04100000000068200000	FARM 682 CRAWLEY KURUMAN RD	3 078,38	22 109 954	22 048 988	60 966
840992	C01200000000013300000	REMAINDER OF FARM 133 SINCLAIRS DAM BRITSTOWN RD	3 080,33	22 124 015	22 063 010	61 005
200000078893	T0JU000000000014400000	FARM 144 OF SARDINIA JU	3 093,79	22 220 688	22 159 417	61 272
600000010090	TOKU000000000033400000	FARM 334 OF TROYES KU	3 094,87	22 228 388	22 167 096	61 293
600000010088	TOKU000000000033100000	FARM 331 OF FIELDHEAD KU	3 105,22	22 302 785	22 241 287	61 498
DEEDS45285	C00700000000025700000	FARM 257 PLAAS 257 BARKLY WES RD	3 108,94	22 329 444	22 267 872	61 571
600000010086	TOKU000000000032600000	FARM 326 OF CLERMONT KU	3 117,83	22 393 352	22 331 604	61 748
3105311	TOMT000000000000700001	PORTION 1 OF FARM 7 ANTONVILLA MT	3 125,99	22 451 904	22 389 995	61 909
3105851	C02800030000010400000	REMAINDER OF AGRICULTURAL HOLDING 104 GARIEP SETTLEMENT AGRICULTURAL HOLDING GORDONIA RD	3 136,38	22 526 584	22 464 468	62 115
938961	C11800000000017400000	FARM 174 DWAAS RIVIER	3 136,98	22 530 847	22 468 720	62 127
DEEDS148857	TOLS000000000027600000	FARM 276 RIETVLY LS	3 140,12	22 553 445	22 491 256	62 189
459451	T0KR00000000025300000	REMAINDER OF FARM 253 STERKRIEVERNEDERSETTING KR	3 144,33	22 583 654	22 521 382	62 272
706181	C00900000000019700002	PORTION 2 OF FARM 197 DOORNHOEK BEAUFORT WEST RD	3 147,22	22 604 439	22 542 109	62 330
1539091	C0540000000000900000	FARM 9 OF OUDTSHOORN RD-TAFELBERG	3 148,77	22 615 579	22 553 218	62 360
600000010075	TOKU000000000014200000	FARM 142 OF BOOMPLAATS KU	3 175,07	22 804 422	22 741 541	62 881
600000010106	TOKU000000000036400000	FARM 364 OF GLENCAIRN KU	3 188,72	22 902 483	22 839 331	63 152

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
779111	C019000000003490000	FARM 349 EIKENBOSCH HOEK CERES RD	3 205,10	23 020 098	22 956 622	63 476
600000010109	T0KU0000000003700000	FARM 370 OF GASCONY KU	3 229,79	23 197 468	23 133 503	63 965
3203063	T0JQ0000000004320000	REMAINING EXTENT OF FARM 334 JQ	3 238,12	23 257 285	23 193 155	64 130
DEEDS182336	C0810000000004280001	PORTION 1 OF FARM 428 POLER VRYBURG RD	3 277,47	23 539 882	23 474 972	64 909
424271	T0LU0000000000250000	FARM 25 SCHIETTOCHT LU	3 292,33	23 646 659	23 581 456	65 204
586271	C00700000000030700000	FARM 307 DOORN FONTEIN BARKLY WES RD	3 302,53	23 719 928	23 654 523	65 406
600000010112	T0KU0000000003770000	FARM 377 OF PRAIRIE KU	3 312,43	23 791 044	23 725 443	65 602
872501	C05400000000012500000	FARM 125 VERMAAKS RIVIER OUDTSHOORN RD	3 337,01	23 967 522	23 901 434	66 088
1019171	NOGT00000000116400000	REMAINDER OF FARM 1164 VAALKOP GT	3 357,28	24 113 103	24 046 613	66 490
DD30082014_172	T0KT0000000005640000	REMAINDER OF FARM 564 GRASKOP KT	3 366,98	24 182 818	24 116 136	66 682
1056571	NOGT00000000131200000	FARM 1312 BOSCH HOEK GT	3 381,15	24 284 592	24 217 629	66 963
DEEDS31032015_0141692	T0JU0000000001540000	FARM 154 OF JU DOODSLAAN	3 395,85	24 390 158	24 322 904	67 254
DEEDS128305	T0KU0000000000500000	FARM 50 HOUTBOSCHRAND KU	3 398,63	24 410 142	24 342 833	67 309
600000010063	T0KU0000000001040000	FARM 104 OF MOOIPLAATS KU	3 421,52	24 574 541	24 506 779	67 762
2059051	TOIQ0000000004310000	REMAINDER OF FARM 431 WELGEVONDEN IQ	3 457,83	24 835 321	24 766 839	68 481
600000010074	T0KU0000000014000000	FARM 140 OF BOSCHKOP KU	3 466,40	24 896 860	24 828 209	68 651
DEEDS90871	NOGV00000001661600000	FARM 16616 KINGSA-TOJAN	3 542,76	25 445 314	25 375 151	70 163
DEEDS128313	T0KU0000000009100000	FARM 91 BLACKBERRYGLEN KU	3 547,12	25 476 667	25 406 418	70 250
600000010070	T0KU0000000012800000	FARM 128 OF PERU KU	3 567,32	25 621 698	25 551 049	70 650

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
600000010121	TOKU0000000000950000	FARM 95 OF ROBERTS HOOP KU	3 581,38	25 722 692	25 651 764	70 928
736051	C0160011000010130000	ERF 1013 CONSTANTIA	2,18	86 538	15 583	70 955
DD30082014_172676	T0KT00000000041400000	REMAINDER OF FARM 414 CLERMONT KT	3 589,57	25 781 494	25 710 404	71 090
600000010093	TOKU00000000033800000	FARM 338 OF AHERSTONE KU	3 614,06	25 957 449	25 885 874	71 575
3198481	F0320025000003300000	ERF 330 THABA'NCHU	2,78	91 800	19 891	71 909
600000010083	TOKU00000000018400000	FARM 184 OF CEYLON KU	3 632,97	26 093 273	26 021 323	71 950
420861	TOKU00000000004900000	FARM 49 BATAVIA KU	3 685,66	26 471 656	26 398 663	72 993
D31032014_144054	T0JU00000000015200000	FARM 152 OF JU-RUITERSGAT	3 711,09	26 654 316	26 580 819	73 497
600000010077	TOKU00000000014400000	FARM 144 OF DOORNSPRUIT KU	3 715,58	26 686 562	26 612 977	73 586
3055541	C03200060000000100000	AGRICULTURAL HOLDING 1	3 741,67	26 873 962	26 799 860	74 103
600000010104	TOKU00000000036200000	FARM 362 OF ALBUMIN KU	3 758,34	26 993 666	26 919 233	74 433
901921	C0390000000002500000	REMAINDER OF FARM 250 BLAAUW KRANTZ KNYSNA RD	3 761,89	27 019 176	26 944 673	74 503
600000010068	TOKU00000000012300000	FARM 123 OF RIETFONTEIN KU	3 813,75	27 391 643	27 316 113	75 530
600000010092	TOKU00000000033700000	FARM 337 OF ANNIE SIDE KU	3 823,01	27 458 176	27 382 462	75 714
600000010085	TOKU00000000032400000	FARM 324 OF HELENA KU	3 845,53	27 619 919	27 543 760	76 160
DEEDS179032	T0IM00000000038600000	FARM 386 SANDOWN IM	4 018,77	28 864 173	28 784 583	79 590
600000010118	TOKU00000000070000000	FARM 70 OF REDGORTON KU	4 024,10	28 902 449	28 822 753	79 696
943591	C0770000000005800000	FARM 58 PAARDEBERG	4 032,76	28 964 675	28 884 808	79 868
DEEDS167625	T0IR00630000010000000	ERF 10 VAL	4 046,26	29 061 609	28 981 474	80 135

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
600000010119	TOKU000000000007300000	FARM 73 OF SIKKELTOUKLOOF KU	4 050,11	29 089 262	29 009 051	80 211
799791	C01900000000035100000	FARM 351 KWARTELFONTEIN CERES RD	4 064,00	29 189 056	29 108 569	80 486
911061	C07600000000042700000	FARM 427 LONGMORE FOREST RESERVE UITENHAGE RD	4 066,46	29 206 723	29 126 188	80 535
DEEDS128241	TOKU000000000032100000	FARM 321 GOWRIE KU	4 098,77	29 438 762	29 357 587	81 175
470221	T0KT0000000005060000	REMAINDER OF FARM 506 BERLYN KT	4 118,46	29 580 188	29 498 623	81 565
DEEDS17934	C03600000000031300006	REMAINDER OF PORTION 6 OF FARM 313 SPRINGBOK PAN KENHARDT RD	4 159,12	29 872 233	29 789 863	82 370
DEEDS178486	C02800000000032900003	PORTION 3 OF FARM 329 KHORKHAM GORDONIA RD	4 282,66	30 759 504	30 674 688	84 817
S42_31032015_00817	C02000000000018500000	FARM 185 CLANWILLIAM	4 296,33	30 857 740	30 772 652	85 088
S42_31032015_00899	C07300000000017100000	FARM 171 SWELLENDAM	4 299,58	30 881 066	30 795 914	85 152
382981	T0JT0000000001970000	FARM 197 CEYLON JT	4 395,77	31 571 894	31 484 838	87 057
708341	C00900000000019700000	REMAINDER OF FARM 197 DOORNHOEK BEAUFORT WEST RD	4 413,59	31 699 884	31 612 474	87 410
600000010105	TOKU000000000036300000	FARM 363 OF MEMOSIA KU	4 417,61	31 728 809	31 641 319	87 489
S42_31032015_00829	C03900000000000020000	FARM 2 KNYSNA	4 502,25	32 336 733	32 247 567	89 166
600000010080	TOKU000000000014700000	FARM 147 OF RIETLOOP KU	4 542,35	32 624 732	32 534 772	89 960
S42_31032015_00919	C07700000000006100000	FARM 0 UNIONDALE WESTERN CAPE	4 608,42	33 099 239	33 007 970	91 268
871051	C00400000000032800000	FARM 328 MAINFOR ALEXANDRIA RD	4 995,95	35 882 649	35 783 706	98 943
DEEDS17184	C03400000000039000000	FARM 390 WITTE ELS BOSCH FOREST RESERVE HUMANSDORP RD	5 058,68	36 333 163	36 232 977	100 186
2842191	C09600000000010300000	ERF 103 OF LUSIKISIKI	5 065,72	36 383 723	36 283 398	100 325
3025571	C01900000000353000000	REMAINDER OF FARM 353 BOKKE RIVIER CERES RD	5 081,91	36 500 023	36 399 378	100 646

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
796901	C0190000000003850000	FARM 385 BEN ETIVE CERES RD	5 094,17	36 588 088	36 487 200	100 888
450551	T0JS00000000004500000	REMAINING EXTENT OF FARM WELGEVONDEN 45 JS	5 139,13	36 910 991	36 809 212	101 779
780341	C0150000000001960000	REMAINDER OF FARM 196 COMMISSIONERS VLEY CALVINIA RD	5 178,67	37 194 973	37 092 411	102 562
1200311	F0110000000006770000	REMAINDER OF FARM 677 KALKFONTEIN FAURESMITH RD	5 593,63	40 175 398	40 064 618	110 780
920371	C0210000000001900000	REMAINDER OF FARM 190 COLESBERG RD	5 614,23	40 323 303	40 212 115	111 188
720461	C0530000000003290000	FARM 329 OF BRAZIL	5 835,19	41 910 318	41 794 754	115 564
3026171	N0HV00000001583400019	FARM 15834 OF UBOMBO	5 857,55	42 070 904	41 954 898	116 007
3048151	C0610000000001800000	FARM 180 OF PRINCE ALBERT RD-	6 005,45	43 133 173	43 014 237	118 936
DD30082014_172814	T0KT00000000059500000	FARM 595 BLYDERIVIERPOORT KT	6 147,21	44 151 406	44 029 662	121 744
897641	C0770000000009100000	FARM 91 KOUGA BRONNEN UNIONDALE RD	6 179,96	44 386 624	44 264 232	122 392
D31032014_163415	C0600000000000100000	FARM 1 PRIESKA RD	6 402,57	45 985 457	45 858 656	126 801
927461	C0390000000000760000	FARM 76 KNYSNA	6 825,33	49 021 845	48 886 672	135 173
DEEDS149761	T0LT00000000055800041	PORTION 41 OF FARM 558 YAMORNA LT	6 920,00	49 701 817	49 564 768	137 048
DEEDS179713	C04100000000005500000	FARM 55 CORSHAM KURUMAN RD	6 924,85	49 736 661	49 599 516	137 144
DODDB0912	T0MS00000000017100001	PORTION 1 OF FARM 171 LANDBOU MS	6 991,19	50 213 119	50 074 661	138 458
587721	C02800000000025100097	PORTION 97 OF FARM 251 KALAHARI-WES GORDONIA RD	8 005,51	57 498 315	57 339 768	158 547
875231	C03400000000039200000	REMAINDER OF FARM 392 BLUE LILIES BUSH FOREST RESERVE HUMANSDORP RD	8 215,62	59 007 391	58 844 683	162 708
564691	C02800000000025100042	PORTION 42 OF FARM 251 KALAHARI-WES GORDONIA RD	8 268,73	59 388 843	59 225 084	163 760
572971	C02800000000025100043	FARM 251 PORTION 43 OF UNREGISTERED-KALAHARI-WES	8 478,28	60 893 885	60 725 976	167 910

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	Land Extent as per Immovable assets register (IAR)	Land value as per Immovable assets Register (R.)	Recalculated Deemed value (R.)	Differences (R.)
S42_31032015_00022	F0180000000003870000	REMAINDER OF FARM 387 RIET RIVER SETTLEMENT EAST JACOBSDAL RD	8 540,67	61 341 996	61 172 850	169 145
1546221	C02800000000025100096	PORTION 96 OF FARM 251 KALAHARI-WES GORDONIA RD	8 820,26	63 350 126	63 175 444	174 682
DD_31032017_146677	T0IM0000000003600000	FARM 360 MADEBING IM	8 843,26	63 515 296	63 340 158	175 138
394071	T0KS0002000001600000	ERF 160 MARBLE HALL EXT 1	9 368,00	67 284 194	67 098 663	185 530
3152631	C05300000000002100005	FARM 21 PORTION 5 OF NAMAQUALAND RD	9 903,66	71 131 497	70 935 358	196 139
3116271	C00700070000000100000	REMAINDER OF AGRICULTURAL HOLDING 1 VAALHARTSNEDERSETTING B AGRICULTURAL HOLDING NOT AVAILABLE	10 147,40	72 882 101	72 681 135	200 966
3077571	C02700000000012500004	PORTION 4 OF FARM 125 OUTENIQUABERGE GEORGE RD	10 416,92	74 817 909	74 611 605	206 304
572891	C03600000000038900000	FARM 389 FARM 389 KENHARDT RD	12 063,80	86 646 391	86 407 471	238 920
5248627	C04100000000067800000	FARM 678 MAREMANE NATUUR RESERVAAT KURUMAN RD	12 175,57	87 449 096	87 207 962	241 133
896041	C07600000000062400000	FARM 624 UITENHAGE RD	13 137,14	94 355 419	94 095 243	260 177
3162981	T0MT00000000041600000	FARM 416 MADIMBO MT	26 826,24	192 675 270	192 143 985	531 285
2681383	NOGU00000001584000000	ERF 15840 PORTION DUM 3 OF ULUNDI	26 940,86	193 498 483	192 964 928	533 555
585441	C04100000000054800000	FARM 548 GATHLOSE NATIVE RESERVE KURUMAN RD	49 778,92	357 529 319	356 543 463	985 856
709581	C01600000000089500001	PORTION 1 OF FARM 895 BEL OMBRE CAPE RD	52,39	2 084 049	375 275	1 708 774
774651	C05300130000022600000	REMAINDER OF ERF 226 VIOOLSDRIF SETT	129 250,68	928 322 769	925 763 001	2 559 769
<b>Total</b>						<b>30 508 806</b>

## Impact

The Immovable assets (land) valued using the average vacant land has been overstated by an amount of R30 508 806

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Furthermore, management did not prepare accurate and valid AVL rates to be used in determining land values where MVR values are not available.

### **Recommendation**

It is recommended that management ensures that only land with determined land extents that is owned by PMTE should be considered in AVL rates.

Management ensures that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management to re-assess the AVL rates determined for the land parcels considered that should have not been considered in determining the AVL rates

### **Management response**

Management are in agreement with the finding. AVL rates as calculated by the AGSA agree to the rates as calculated by management. Management to conduct final confirmations of the value of the adjustment to be passed in the current and prior year as amount.

### **Auditor's conclusion**

Management's comments noted. Finding will be reported in the management report.

## **PMTE HO COFF 24 - Immovable assets - Rights and Obligations (PPE) – Ownership of property could not be proven**

### **Requirements:**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 41 furthermore states that: “*An accounting officer of a department, trading entity or constitutional institution must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 1: Custodian Framework for the state of immovable assets state that: “*Custodianship is the equivalent of control or ownership of the assets from an accounting perspective. DPW must therefore, in terms of the relevant reporting framework, recognize/disclose as its own assets all immovable assets that it controls, whether it is through custodianship on behalf of the state, or direct ownership...*”

## Nature

During the audit of immovable assets, we noted that the custodianship for the land parcels listed below could not be confirmed to belong by PMTE based on what is deemed to belong to the Department of Public Works in terms of the Immovable Asset Guide. No supporting documentation could be provided to proof ownership.

### Property, plant and equipment - Land

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	CARRYING VALUE 31 MARCH 2021
863071	C023000400020711 00000	ERF 20711 OF EAST LONDON	10 032
200000055937	T0JO003600002477 00000	ERF PORTION LEHURUTSHE UNIT 3	10 877
DEEDS58068	T0IR031600001893 00000	ERF 1893 HOUGHTON ESTATE	12 180
DEEDS143695	T0JQ000000000344 00072	PORTION 72 OF FARM 72 BUFFELSFONTEIN JQ	14 302
DEEDS58070	T0IR031600001895 00000	ERF 1895 HOUGHTON ESTATE	14 852
DEEDS58069	T0IR031600001894 00000	ERF 1894 HOUGHTON ESTATE	14 852
DEEDS58071	T0IR031600001896 00000	ERF 1896 HOUGHTON ESTATE	14 852
200000060668	T0JO000000000047 00000	REMAINDER OF FARM 47 WELBEDACHT JO	18 043
3183041	N0HT05420000000 500000	ERF 5 MONDLO A	24 492
DEEDS46302	C007000700000071 00000	AGRICULTURAL HOLDING 71 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	30 760
DEEDS46292	C007000700000431 00000	AGRICULTURAL HOLDING 431 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	32 571
DEEDS90053	N0GS00000000422 500162	PORTION 162 OF FARM 4225 TREKBOER	33 477
3183111	N0HT05420000001 200000	ERF 12 MONDLO A	34 289
	T0JR012500000144 00000	ERF 144 PORTION 0 OF KOEDOE SPOORT	35 905
	N0FT000100001135 00000	UNREGISTERED	35 905
	N0FU00000000157 500000	FARM 1575 PORTION 0 OF FU	35 905
	T0IR000000000064 00282	FARM 64 PORTION 282 OF WITKOPPIE IR	35 905
	T0HO00020000034 00000	ERF 340 OF BLOEMHOF	35 905
	F016000000000152 00002	PORTION 2 OF FARM 152 HEILBRON RD	35 905
	T0IP006300004589 00000	ERF 4589 KANANA	35 905
	T0IP006300002592 00000	ERF 2592 KANANA	35 905
DEEDS46313	C007000700000083 00000	AGRICULTURAL HOLDING 83 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	36 912
2950771	F032002500000054 00000	ERF 54 THABA'NCHU	39 188
DEEDS90055	N0GS00000000422 500171	PORTION 171 OF FARM 4225 TREKBOER	39 461
748111	C085000000000071 00010	PORTION 10 OF FARM 71 ROODE ELS BERG	40 500
DEEDS46301	C007000700000567 00000	AGRICULTURAL HOLDING 567 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	44 589
DEEDS46300	C007000700000566 00000	AGRICULTURAL HOLDING 566 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	44 589

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex) 2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
1080311	N0HT00000000757 700009	PORTION 9 OF FARM 7577 LOCH LOMOND	44 861
744831	C08500000000057 00025	PORTION 25 OF FARM 57 MATROOSBERG	45 000
1101881	N0HT00000000881 600029	REMAINDER OF PORTION 29 OF FARM 29 KOPIJ ALEEN HT	48 230
200000058181	T0IQ010100000041 00000	ERF PORTION ELDORADOPARK	49 010
2370341	C016002200004587 00000	ERF 4587 OF GUGULETHU	51 263
DEEDS107761	N0GS03640000001 500000	ERF 15 VAN REENEN	51 299
702801	C016001100000141 00000	ERF 141 CONSTANTIA	51 387
1613401	T0IQ057900004078 00000	ERF 4078 MOHLAKENG	55 000
200000057233	N0ET050600002095 00000	ERF PORTION GAMALAKHE A	56 688
1073931	N0HT00000000757 600036	PORTION 36 OF FARM 36 CRANE VALLEY HT	80 424
200000058804	T0IQ057800001476 00000	ERF PORTION MUNSIEVILLE	85 724
721121	C016005400002120 00000	ERF 2120 SIMON'S TOWN	86 896
566591	C037000300000310 00000	ERF 310 WARRENTON	90 476
589481	C007000700000073 00000	AGRICULTURAL HOLDING 73 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	90 476
286022	T0JR007400000043 00000	AGRICULTURAL HOLDING 43 ELLISON AGRICULTURAL HOLDINGS	101 670
864521	C077000400000552 00000	ERF 552 UNIONDALE	108 800
D31032014_15 4990	T0JQ000000000381 00000	REMAINDER OF FARM 381 SYFERFONTEIN	119 948
DEEDS181732	T0JO001300002312 00000	ERF 2312 OF MONTSHIWA-2	128 000
1451361	T0IR041900000195 00000	ERF 195 MARLBORO	132 000
200000065215	F015001000000214 00000	SDF - N/A - (DISTRICT WITZIESHOEK)DIE BULT PHUTHADITJHABA	151 625
76788	N0FT039200000329 00064	PORTION 64 OF ERF 64 ZEEKOE VALLEI	162 027
76783	N0FT039200000329 00063	PORTION 63 OF ERF 63 ZEEKOE VALLEI	162 749
200000055781	C046000900000275 00000	ERF PORTION MAMRE	184 200
2664042	N0GU04050000064 400000	ERF 644 NSELENI A	205 197
DEEDS105164	N0FT031600000329 00018	PORTION 18 OF ERF 329 SPRINGFIELD	218 643
2767341	T0IQ021700003469 00000	ERF 3469 LENASIA SOUTH EXT 4	223 612
568611	C007000700000541 00000	AGRICULTURAL HOLDING 541 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	223 929
1091311	N0FT000000001878 00004	FARM 1878 PORTION 4 OF NATAL RD- AMBLETON	235 127
	C046001300000041 00000	ERF 41 PORTION 0 OF ST HELENA BAY	264 441
	T0IQ0000000000190 00433	FARM 190 POPRTION 433 IQ	264 441
	T0IR0000000000026 00106	FARM 26 PORTION 106 IR	264 441
	N0FT000000000945 00010	SDF	264 441

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex) 2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
	C031000000000458 00015	FARM 458 PORTION 15 OF CARTER BLOCK	264 441
	T0IR009700001026 00000	ERF 1026 PORTION 0 BRAKPAN	264 441
	T0IP006300004591 00000	ERF 4591 KANANA	264 441
	T0IP006300002591 00000	ERF 2590 KANANA	264 441
200000058961	C009000400000010 00000	ERF PORTION NELspoort	292 500
581051	C007000700000542 00000	AGRICULTURAL HOLDING 542 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	301 269
562751	C007000700000543 00000	AGRICULTURAL HOLDING 543 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	302 335
2782181	N0FT027700000166 00000	ERF 166 RICHMOND	308 278
DEEDS103317	N0FT027600004285 00017	PORTION 17 OF ERF 4285 RESERVOIR HILLS	398 803
DEEDS58076	T0IR031600002289 00002	PORTION 2 OF ERF 2289 HOUGHTON ESTATE	420 989
1133582	F039000700009523 00000	ERF 9523 WELKOM EXT 31	438 709
	C020000100001129 00000	ERF 1129 PORTION 0 OF CITRUSDAL	454 486
	C016000700061569 00000	ERF 61569 PORTION 0 OF LANSDOWNE	454 486
	C016004200007720 00000	ERF 7720 PORTION 0 OF PAROW	454 486
	C058000800000063 00000	ERF 63 PORTION 0 OF LWANDLE	454 486
	N0FT021300000102 00000	PORTION OF ERF 102 OF MONTESEL	454 486
	N0FT025800000796 00000	UNREGISTERED	454 486
	N0FT025800010000 00000	UNREGISTERED	454 486
	T0JO001300000740 00000	ERF 740 PORTION 0 OF MONTSHIWA-2	454 486
	T0HO00020000036 500000	ERF 365 OF BLOEMHOF	454 486
	F003000900022002 00000	ERF 22002 PORTION 0 OF MANGAUNG EXT 2	454 486
	N0GU06450000011 000000	ERF 110 PORTION 0 OF ULUNDI BA	454 486
	T0IP006300004590 00000	ERF 4590 KANANA	454 486
	T0IP006300002593 00000	ERF 2593 KANANA	454 486
D_3132013_13 8145	T0IR089700002667 00000	ERF 2667 BLUEGUM VIEW EXT 3	460 000
2801231	T0JO000400000027 00000	ERF 27 MAFIKENG	480 000
D_3132013_12 6335	N0HT000000000723 900018	PORTION 18 OF FARM 7239 GARDENS	488 434
200000059004	T0IR035200001358 00000	ERF PORTION KEMPTON PARK	639 100
2932071	F025000800008293 00000	ERF 8293 ZAMDELA EXT 4	659 600
DEEDS58073	T0IR031600001898 00000	ERF 1898 HOUGHTON ESTATE	666 214
DEEDS58064	T0IR031600001813 00000	ERF 1813 HOUGHTON ESTATE	699 004
DEEDS58066	T0IR031600001815 00000	ERF 1815 HOUGHTON ESTATE	699 004

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS58067	T0IR03160000181600000	ERF 1816 HOUGHTON ESTATE	699 004
DEEDS58063	T0IR03160000181200000	ERF 1812 HOUGHTON ESTATE	699 068
DEEDS58065	T0IR03160000181400000	ERF 1814 HOUGHTON ESTATE	699 068
DEEDS58072	T0IR03160000189700000	ERF 1897 HOUGHTON ESTATE	699 068
DEEDS58074	T0IR03160000189900000	ERF 1899 HOUGHTON ESTATE	721 041
3167931	C01300040000061500000	REMAINDER OF ERF615 CALEDON	758 306
1145332	F03900070000000200000	ERF 7884 PORTION 3 OF WELKOM	813 552
200000059243	C04600190000047000000	ERF PORTION RIEBEEK KASTEEL	1 001 250
618631	C01300080000099300000	ERF 993 GENADENDAL	1 150 942
200000054484	T0IP00550000096100000	ERF PORTION WILKOPPIES	1 175 637
200000060324	C05800050000049400000	ERF PORTION LAAIPLEK	1 180 536
DEEDS46305	C00700070000007500000	AGRICULTURAL HOLDING 75 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	1 305 192
564321	C00700070000007400000	AGRICULTURAL HOLDING 74 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	1 305 241
597391	C01600630001372500000	REMAINDER OF ERF 13725 KHAYELITSHA	1 625 700
3041291	T0IQ00000000053600062	PORTION 62 OF FARM 536 WILDEBEESTFONTEIN IQ	1 700 000
200000056911	T0JR00000000035700199	REMAINDER OF PORTION 199 OF FARM 357 ELANDSPOORT JR	1 861 426
1613601	T0IR07730003102900000	ERF 31029 DAVEYTON	1 895 000
587331	C00700070000051800000	AGRICULTURAL HOLDING 518 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	1 900 001
718311	C0160050000034500000	ERF 345 SCHAAP KRAAL	2 028 250
200000057641	T0IO00130000433800000	ERF PORTION ITSOENG UNIT 3	2 070 000
1553231	T0IQ05810000000100000	ERF 1 DOBSONVILLE	2 145 000
DEEDS46288	C00700070000023800000	AGRICULTURAL HOLDING 238 VAAL HARTS SETTLEMENT A AGRICULTURAL HOLDING	2 301 986
200000057234	N0ET05060000209900000	ERF PORTION GAMALAKHE A	2 671 832
3009651	T0IR08920000871200000	ERF 8712 IVORY PARK EXT 9	3 000 000
630832	C06700150000167300000	ERF 1673 MACASSAR	3 050 000
200000058139	C01600110000271100000	ERF PORTION CONSTANTIA	3 120 000
200000055811	T0JR00000000035100170	REMAINDER OF PORTION 170 OF FARM 351 PRETORIA TOWN AND TOWNLANDS JR	3 306 480
200000056077	C02700090000094300000	ERF PORTION WILDERNESS	3 452 940
3014161	C00900010000196600000	REMAINDER OF ERF1966 BEAUFORT WEST	3 698 849
1431421	T0IR000000000001500042	PORTION 42 OF FARM 15 WITFONTEIN IR	3 896 461
453921	T0JR00000000036500080	PORTION 80 OF FARM 365 DONKERHOEK JR	3 923 690
200000058638	T0IP00620000547900000	ERF PORTION KHUMA	4 055 949

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
1695111	T0IQ05640000067600000	ERF 676 NALEDI	4 194 000
568071	C00700070000048800000	AGRICULTURAL HOLDING 488 VAALHARTSNEDERSETTING B AGRICULTURAL HOLDING	4 227 049
200000056263	T0IR09000000011500000	ERF PORTION ZONKIZIZWE	5 040 000
577321	C00700070000048900000	AGRICULTURAL HOLDING 489 VAALHARTSNEDERSETTING B AGRICULTURAL HOLDING	5 454 811
1151941	F00300090003216400000	ERF 32164 MANGAUNG	5 643 060
200000059567	C06400060000065700000	REMAINDER OF ERF 657 STILBAAI WES	7 581 002
2924921	C03800330000478800000	ERF 4788 BISHO	8 500 000
996911	N0HT03670000070600000	ERF 706 VRYHEID	9 258 145
3198571	T0IR07760003201900000	ERF 32019 TSAKANE EXT 12	9 360 000
200000055789	T0IQ05570000237000000	ERF PORTION MOROKA	10 750 000
200000056490	N0FT02580000329600000	REMAINDER OF ERF 3296 PIETERMARITZBURG	45 849 861
200000056374	N0GU00940000795500000	REMAINDER OF ERF 7955 EMPANGENI	247 288 091
<b>Total</b>			<b>446 377 892</b>

### **Impact**

This will result in the overstatement of PPE: Land (carrying amount) by an amount of R446 377 892.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by complete information.

Management didn't properly review the land parcels recorded on the IAR to be supported by the Deeds support to ensure that all inputs have been correctly transferred to the IAR.

### **Recommendation**

It is recommended that management should ensure that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the land extent recorded on the IAR should be reviewed against the Deeds support or CSG Diagram to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

Management should revisit the whole population to determine the full impact of this finding and correct the population.

### **Management response**

Management is in agreement with the finding. AGSA has identified all errors within the population as has been confirmed by Management's review.

### **Auditors Conclusion**

Management's comments are noted. The finding will remain and be reported in the management report

## **PMTE HO COFF 26 - Immovable assets - Rights and Obligations (PPE) – Ownership of property could not be proven**

### **Requirements:**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 41 furthermore states that: “*An accounting officer of a department, trading entity or constitutional institution must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 1: Custodian Framework for the state of immovable assets state that: “*Custodianship is the equivalent of control or ownership of the assets from an accounting perspective. DPW must therefore, in terms of the relevant reporting framework, recognize/disclose as its own assets all immovable assets that it controls, whether it is through custodianship on behalf of the state, or direct ownership...*”

## Nature

During the audit of immovable assets, we noted that custodianship for the land parcel listed below could not be confirmed to belong by PMTE based on what is deemed to belong to the Department of Public Works in terms of the Immovable Asset Guide. No supporting documentation were provided to proof ownership.

## Property, plant and Equipment - Land

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	CARRYING VALUE 31 MARCH 2021
927461	C03900000000007600000	FARM 76 KNYSNA	49 021 845
1154881	F00300030000109300000	ERF 1093 OF BLOEMFONTEIN	10 688 349
603612	C01600000000024500007	FARM 245 PORTION 7 OF CAPE RD-MONTAGUE GARDENS	5 467 561
2657272	T0MR00000000036200000	FARM 362 ELDORADO	4 485 600
739681	C06700000000011700000	FARM 1170 OF STELLENBOSCH RD-FARM 1170	3 530 000
DEEDS125126	TOJU00000000046600006	REMAINDER OF PORTION 6 OF FARM 466 LOMATI	2 909 703
DEEDS4565	C01600000000024500056	FARM 245 PORTION 56 OF CAPE RD-MONTAGUE GARDENS	2 894 541
718761	C06700000000064700000	FARM 647 OF STELLENBOSCH RD-FARM 647	2 630 000
18091	T0JQ00270000106500000	ERF 1065 OF RUSTENBURG	2 106 350
400691	TOJR03520000688600000	ERF 6886 MAMELODI	1 763 456
588001	C0360004000015800000	ERF 1580 OF GROOBLEERSHOOP	1 547 010
612681	C05300050000028100000	ERF 281 OF HONDERKLIP BAY	1 508 811
DODDB2587	TOJR00000000008300001	ERF 83 PORTION 1 OF N/A	1 429 534
1044501	N0FT00000001369000002	FARM 13690 PORTION 2 OF UNKNOWN-GILDOWN	1 420 812
951821	N0FU0000000156000265	FARM 1560 OF UNREGISTERED-LOT 31	1 323 913
472321	TOJR00000000035702101	FARM 357 PORTION 2101 OF JR-ELANDSPOORT	1 290 761
476621	TOJS00230000032200000	ERF 322 MIDDELBURG	1 180 745
1539411	C11000010000001600000	ERF 16 OF UNREGISTERED	1 137 467
1542731	TOJR01990000011500000	FARM 115 OF JR-NOT FOUND	927 646
624187	C01600000000024500008	FARM 245 PORTION 8 OF CAPE RD-MONTAGUE GARDENS	835 893
784481	C01600000000096500000	FARM 965 OF CAPE RD-FARM 965	795 756
200000057013	TOJR02220000009100000	ERF PORTION ROSSLYN	734 773
1057511	N0FT01100000138200198	FARM 1382 PORTION 198 OF UNKNOWN-STOCKVILLE	720 000
717081	C06700000000099600001	FARM 996 PORTION 1 OF STELLENBOSCH RD-FARM 996	648 050
999111	N0GU0202000029000000	ERF 290 MELMOTH	616 709
1038821	N0GT00750000023900014	FARM 239 PORTION 14 OF UNKNOWN-GARDENS	616 688
200000068964	T0HS00000000010900028	FARM 109 PORTION 28 OF HS-SCHUILKLIP	522 912
3125821	T0MR00000000008000002	ERF 0 MR	474 583
796811	C08500040000302600000	ERF 3026 OF WORCESTER	470 692
	N0FT02130000010200000	PORTION OF ERF 102 OF MONTESEEL	454 486
	TOJT00000000001200099	FARM DE RUST 12 PORTION 99, DE RUST	454 486
	TOJS00000000008000002	FARM VERGELEGEN 80 PORTION 2,	454 486
	N0ES00000000790200000	FARM MISTLANDS 7902 PORTION 0,	454 486
	C05900280000343400000	ERF 3434 PORTION 0 OF NORTH END	454 486

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
	T0JR01990000031900001	ERF 319 PORTION 1 OF PRETORIA	454 486
	F02000030000057800000	ERF 578 OF KROONSTAD	454 486
	TOJT00000000011500018	FARM ELANDSPRUIT 115 PORTION 18,	454 486
1590461	TOJR01990000010300000	ERF 103 PRETORIA	449 901
387941	TOJT00000000011400010	REMAINDER OF PORTION 10 OF FARM 114 BADFONTEIN JT	330 378
	TOJR01990000001900000	ERF 19 PORTION 0 (REMAINING EXTENT) OF PRETORIA	264 441
492791	TOJT00000000045900000	FARM 459 OF JT-HILLSIDE	263 409
435181	TOLS00110000327700000	ERF 3277 OF LOUIS TRICHARD Ext 11	259 819
200000077748	TOJS00070000069800002	PORTION 2 OF ERF 698 DEL JUDOR EXT 1	259 819
DEEDS138709	TOLT0051000054100000	ERF 541 HLANGANANI	250 803
DEEDS139076	TOLT0051000097000000	ERF 970 HLANGANANI	244 924
433881	TOJT00000000011400011	PORTION 11 OF FARM 114 BADFONTEIN JT	229 077
483391	TOJR01990000014900001	ERF 149 PORTION 1 OF PRETORIA	224 925
D_3132013_10051	C01600000000024500049	FARM 245 PORTION 49 OF CAPE RD-MONTAGUE GARDENS	216 225
145681	TOJO00040000122600000	ERF 1226 MAFIKENG-11	215 645
3060141	TOIS00210000014300000	FARM 143 OF UNKNOWN-STANDERTON	195 055
273887	TOLR00010000101700000	ERF 1017 WITRIVIER EXT 6	182 864
986331	N0FU0027000008800007	FARM 88 PORTION 2 OF UNREGISTERED-BLUFF	170 820
DEEDS138440	TOLT00510000151000000	ERF 1510 HLANGANANI	166 549
DEEDS138427	TOLT00510000149900000	ERF 1499 HLANGANANI	161 650
1106991	N0FT00000000086900125	FARM 869 PORTION 125 OF NATAL RD-WILGEFONTEIN	157 007
DOD00164	T01R02970000081500000	ERF 815 OF HEIDELBERG	154 088
DEEDS138393	TOLT00510000141900000	ERF 1419 HLANGANANI	153 813
273886	TOLR00010000101400000	ERF 1014 WITRIVIER EXT 6	152 387
2907121	C01300009000003400000	ERF 34 OF GANS BAY	151 015
DEEDS138431	TOLT00510000150100000	ERF 1501 HLANGANANI	146 955
DEEDS138438	TOLT00510000150800000	ERF 1508 HLANGANANI	146 955
1657901	TOLT00110000140600000	ERF 1406 LENYEENYEE-A	120 000
DEEDS138425	TOLT00510000149700000	ERF 1497 HLANGANANI	118 543
225193	T0IR03700000001900000	ERF PORTION OF JOHANNESBURG	117 795
DEEDS138437	TOLT00510000150700000	ERF 1507 HLANGANANI	117 564
DEEDS138433	TOLT00510000150300000	ERF 1503 HLANGANANI	116 584
414551	TOJR0199000006100002	ERF 61 PORTION 2 OF PRETORIA	114 525
1048131	N0FU01110000045200000	ERF 452 OF GINGINDLOU	106 366
1044361	N0FT0000059020000006	ERF 5902 PORTION 6 OF DURBAN	105 751
1040451	N0FU01110000045000000	ERF 450 OF GINGINDLOU	105 452
1124531	N0FU01110000048300000	ERF 483 OF GINGINDLOU	103 166
1042551	N0FT0000087000001123	FARM 870 PORTION 1123 OF UNKNOWN-ISIPINGO	100 860
1574581	TOJR02700000037900000	AGRICULTURAL HOLDING 379 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
1574071	T0JR02700000034900000	AGRICULTURAL HOLDING 349 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1574621	T0JR02700000038200000	AGRICULTURAL HOLDING 382 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1574641	T0JR02700000038400000	AGRICULTURAL HOLDING 384 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1574771	T0JR02700000039100000	AGRICULTURAL HOLDING 391 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1574591	T0JR02700000038000000	AGRICULTURAL HOLDING 380 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1574511	T0JR02700000037300000	AGRICULTURAL HOLDING 373 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
1576371	T0JR02700000044500000	AGRICULTURAL HOLDING 445 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 261
DOD00032	TOJR02700000047100000	AGRICULTURAL HOLDING 471	100 260
1574701	T0JR02700000038800000	AGRICULTURAL HOLDING 388 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 186
1574681	T0JR02700000038600000	AGRICULTURAL HOLDING 386 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 186
1574501	T0JR02700000037200000	AGRICULTURAL HOLDING 372 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	100 186
272410	T0JR02360000002300000	AGRICULTURAL HOLDING 23 STEYNBERG AGRICULTURAL HOLDINGS	99 407
1576231	T0JR02700000043700000	AGRICULTURAL HOLDING 437 WALLMANNSTHAL AGRICULTURAL HOLDINGS JR	98 546
DEEDS138394	TOLT00510000142000000	ERF 1420 HLANGANANI	88 173
DEEDS138395	TOLT00510000142100000	ERF 1421 HLANGANANI	88 173
473641	TOJR01990000072400000	FARM 724 OF JR-NOT FOUND	78 103
177	C08400050000023700000	ERF PORTION OF INDWE	73 962
DEEDS139061	TOLT00510000089600000	ERF 896 HLANGANANI	70 555
DEEDS138422	TOLT00510000149400000	ERF 1494 HLANGANANI	66 619
DEEDS138423	TOLT00510000149500000	ERF 1495 HLANGANANI	66 619
DEEDS158977	TOJR01990000014600001	PORTION 1 OF ERF 146 PRETORIA	63 437
2918391	TOJR01990000014500000	ERF 145 PRETORIA	62 351
DEEDS138758	TOLT0051000005900000	ERF 59 HLANGANANI	57 802
2000000087850	T0JO00310000329500000	ERF 3295 PORTION OF Mmabatho Unit 10	43 735
2725401	T0JO00330000775400000	ERF 7754 OF MAFIKENG	40 840
DEEDS138983	TOLT00510000081900000	ERF 819 HLANGANANI	39 188
DEEDS138920	TOLT00510000075800000	ERF 758 HLANGANANI	39 188
DEEDS138958	TOLT00510000079500000	ERF 795 HLANGANANI	39 188
DEEDS138941	TOLT00510000077800000	ERF 778 HLANGANANI	39 188
DEEDS138945	TOLT00510000078200000	ERF 782 HLANGANANI	39 188
DEEDS138804	TOLT00510000063400000	ERF 634 HLANGANANI	39 188
DEEDS138816	TOLT00510000064600000	ERF 646 HLANGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138860	TOLT00510000069600000	ERF 696 HLANGANANI	39 188
DEEDS138872	TOLT00510000070700000	ERF 707 HLANGANANI	39 188
DEEDS138932	TOLT00510000076900000	ERF 769 HLANGANANI	39 188
DEEDS138962	TOLT00510000079900000	ERF 799 HLANGANANI	39 188
DEEDS138850	TOLT00510000068600000	ERF 686 HLANGANANI	39 188
DEEDS138855	TOLT00510000069100000	ERF 691 HLANGANANI	39 188
DEEDS138910	TOLT00510000074800000	ERF 748 HLANGANANI	39 188
DEEDS138455	TOLT00510000019100000	ERF 191 HLANGANANI	39 188
DEEDS138477	TOLT00510000021100000	ERF 211 HLANGANANI	39 188
DEEDS138479	TOLT00510000021600000	ERF 216 HLANGANANI	39 188
DEEDS138494	TOLT00510000023300000	ERF 233 HLANGANANI	39 188
DEEDS138799	TOLT00510000062900000	ERF 629 HLANGANANI	39 188
DEEDS138843	TOLT00510000067800000	ERF 678 HLANGANANI	39 188
DEEDS138851	TOLT00510000068700000	ERF 687 HLANGANANI	39 188
DEEDS138853	TOLT00510000068900000	ERF 689 HLANGANANI	39 188
DEEDS138858	TOLT00510000069400000	ERF 694 HLANGANANI	39 188
DEEDS138835	TOLT00510000067000000	ERF 670 HLANGANANI	39 188
DEEDS138845	TOLT00510000068000000	ERF 680 HLANGANANI	39 188
DEEDS138863	TOLT00510000069900000	ERF 699 HLANGANANI	39 188
DEEDS138869	TOLT00510000070400000	ERF 704 HLANGANANI	39 188
DEEDS138558	TOLT00510000030700000	ERF 307 HLANGANANI	39 188
DEEDS138569	TOLT00510000033600000	ERF 336 HLANGANANI	39 188
DEEDS138627	TOLT00510000041400000	ERF 414 HLANGANANI	39 188
DEEDS138630	TOLT00510000041700000	ERF 417 HLANGANANI	39 188
DEEDS138632	TOLT00510000041900000	ERF 419 HLANGANANI	39 188
DEEDS138657	TOLT00510000044400000	ERF 444 HLANGANANI	39 188
DEEDS138259	TOLT00510000011400000	ERF 114 HLANGANANI	39 188
DEEDS138790	TOLT00510000062000000	ERF 620 HLANGANANI	39 188
DEEDS138810	TOLT00510000064000000	ERF 640 HLANGANANI	39 188
DEEDS138829	TOLT00510000066300000	ERF 663 HLANGANANI	39 188
DEEDS138834	TOLT00510000066800000	ERF 668 HLANGANANI	39 188
DEEDS138838	TOLT00510000067300000	ERF 673 HLANGANANI	39 188
DEEDS138844	TOLT00510000067900000	ERF 679 HLANGANANI	39 188
DEEDS138868	TOLT00510000070300000	ERF 703 HLANGANANI	39 188
DEEDS138823	TOLT00510000065600000	ERF 656 HLANGANANI	39 188
DEEDS138828	TOLT00510000066200000	ERF 662 HLANGANANI	39 188
DEEDS138857	TOLT00510000069300000	ERF 693 HLANGANANI	39 188
DEEDS139009	TOLT00510000084500000	ERF 845 HLANGANANI	39 188
DEEDS139021	TOLT00510000085800000	ERF 858 HLANGANANI	39 188
DEEDS139023	TOLT00510000086000000	ERF 860 HLANGANANI	39 188
DEEDS139035	TOLT00510000087100000	ERF 871 HLANGANANI	39 188
DEEDS139053	TOLT00510000088800000	ERF 888 HLANGANANI	39 188
DEEDS138818	TOLT00510000064800000	ERF 648 HLANGANANI	39 188
DEEDS138833	TOLT00510000066700000	ERF 667 HLANGANANI	39 188
DEEDS138874	TOLT00510000070900000	ERF 709 HLANGANANI	39 188
DEEDS138685	TOLT00510000051400000	ERF 514 HLANGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138300	TOLT00510000125200000	ERF 1252 HLNGANANI	39 188
DEEDS138266	TOLT00510000115600000	ERF 1156 HLNGANANI	39 188
DEEDS138301	TOLT00510000125900000	ERF 1259 HLNGANANI	39 188
DEEDS138303	TOLT00510000127700000	ERF 1277 HLNGANANI	39 188
DEEDS138304	TOLT00510000127800000	ERF 1278 HLNGANANI	39 188
DEEDS138322	TOLT00510000134900000	ERF 1349 HLNGANANI	39 188
DEEDS138354	TOLT00510000138100000	ERF 1381 HLNGANANI	39 188
DEEDS138357	TOLT00510000138400000	ERF 1384 HLNGANANI	39 188
DEEDS138370	TOLT00510000139700000	ERF 1397 HLNGANANI	39 188
DEEDS138412	TOLT00510000144500000	ERF 1445 HLNGANANI	39 188
DEEDS138836	TOLT00510000067100000	ERF 671 HLNGANANI	39 188
DEEDS138856	TOLT00510000069200000	ERF 692 HLNGANANI	39 188
DEEDS138634	TOLT00510000042100000	ERF 421 HLNGANANI	39 188
DEEDS138415	TOLT00510000046300000	ERF 1463 HLNGANANI	39 188
DEEDS138469	TOLT00510000020300000	ERF 203 HLNGANANI	39 188
DEEDS138472	TOLT00510000020600000	ERF 206 HLNGANANI	39 188
DEEDS138474	TOLT00510000020800000	ERF 208 HLNGANANI	39 188
DEEDS138492	TOLT00510000023100000	ERF 231 HLNGANANI	39 188
DEEDS139043	TOLT00510000087900000	ERF 879 HLNGANANI	39 188
DEEDS139048	TOLT00510000088300000	ERF 883 HLNGANANI	39 188
DEEDS138544	TOLT00510000028000000	ERF 280 HLNGANANI	39 188
DEEDS138564	TOLT00510000033100000	ERF 331 HLNGANANI	39 188
DEEDS138587	TOLT00510000036600000	ERF 366 HLNGANANI	39 188
DEEDS138606	TOLT00510000039400000	ERF 394 HLNGANANI	39 188
DEEDS138291	TOLT00510000001200000	ERF 12 HLNGANANI	39 188
DEEDS138294	TOLT005100000122100000	ERF 1221 HLNGANANI	39 188
DEEDS138309	TOLT00510000132300000	ERF 1323 HLNGANANI	39 188
DEEDS138318	TOLT00510000134500000	ERF 1345 HLNGANANI	39 188
DEEDS138260	TOLT00510000114800000	ERF 1148 HLNGANANI	39 188
DEEDS138270	TOLT00510000116000000	ERF 1160 HLNGANANI	39 188
DEEDS138356	TOLT00510000138300000	ERF 1383 HLNGANANI	39 188
DEEDS138359	TOLT00510000138600000	ERF 1386 HLNGANANI	39 188
DEEDS138452	TOLT00510000018800000	ERF 188 HLNGANANI	39 188
DEEDS138466	TOLT00510000020000000	ERF 200 HLNGANANI	39 188
DEEDS138480	TOLT00510000021900000	ERF 219 HLNGANANI	39 188
DEEDS138543	TOLT00510000002800000	ERF 28 HLNGANANI	39 188
DEEDS139014	TOLT00510000085000000	ERF 850 HLNGANANI	39 188
DEEDS139041	TOLT00510000087700000	ERF 877 HLNGANANI	39 188
DEEDS138995	TOLT00510000083100000	ERF 831 HLNGANANI	39 188
DEEDS138998	TOLT00510000083400000	ERF 834 HLNGANANI	39 188
DEEDS138462	TOLT00510000019800000	ERF 198 HLNGANANI	39 188
DEEDS138467	TOLT00510000020100000	ERF 201 HLNGANANI	39 188
DEEDS138470	TOLT00510000020400000	ERF 204 HLNGANANI	39 188
DEEDS138471	TOLT00510000020500000	ERF 205 HLNGANANI	39 188
DEEDS138594	TOLT00510000037300000	ERF 373 HLNGANANI	39 188
DEEDS138628	TOLT00510000041500000	ERF 415 HLNGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS139017	TOLT00510000085300000	ERF 853 HLANGANANI	39 188
DEEDS139049	TOLT00510000088400000	ERF 884 HLANGANANI	39 188
DEEDS138302	TOLT00510000127500000	ERF 1275 HLANGANANI	39 188
DEEDS138326	TOLT00510000135300000	ERF 1353 HLANGANANI	39 188
DEEDS138341	TOLT00510000136800000	ERF 1368 HLANGANANI	39 188
DEEDS138350	TOLT00510000137700000	ERF 1377 HLANGANANI	39 188
DEEDS138353	TOLT00510000138000000	ERF 1380 HLANGANANI	39 188
DEEDS138409	TOLT00510000143500000	ERF 1435 HLANGANANI	39 188
DEEDS138459	TOLT00510000019500000	ERF 195 HLANGANANI	39 188
DEEDS138486	TOLT00510000022500000	ERF 225 HLANGANANI	39 188
DEEDS138814	TOLT00510000064400000	ERF 644 HLANGANANI	39 188
DEEDS138825	TOLT00510000065900000	ERF 659 HLANGANANI	39 188
DEEDS138841	TOLT00510000067600000	ERF 676 HLANGANANI	39 188
3165121	TOLT00510000001900000	ERF 19 HLANGANANI	39 188
DEEDS138275	TOLT00510000116500000	ERF 1165 HLANGANANI	39 188
DEEDS138307	TOLT00510000131800000	ERF 1318 HLANGANANI	39 188
DEEDS138358	TOLT00510000138500000	ERF 1385 HLANGANANI	39 188
DEEDS138413	TOLT00510000146000000	ERF 1460 HLANGANANI	39 188
DEEDS138456	TOLT00510000019200000	ERF 192 HLANGANANI	39 188
DEEDS138711	TOLT00510000054300000	ERF 543 HLANGANANI	39 188
DEEDS138484	TOLT00510000022300000	ERF 223 HLANGANANI	39 188
DEEDS138566	TOLT00510000033300000	ERF 333 HLANGANANI	39 188
DEEDS138568	TOLT00510000033500000	ERF 335 HLANGANANI	39 188
DEEDS138578	TOLT00510000035800000	ERF 358 HLANGANANI	39 188
DEEDS138658	TOLT00510000044500000	ERF 445 HLANGANANI	39 188
DEEDS138662	TOLT00510000044900000	ERF 449 HLANGANANI	39 188
DEEDS138681	TOLT00510000050900000	ERF 509 HLANGANANI	39 188
DEEDS138682	TOLT00510000051000000	ERF 510 HLANGANANI	39 188
DEEDS138735	TOLT00510000056700000	ERF 567 HLANGANANI	39 188
DEEDS138993	TOLT00510000082900000	ERF 829 HLANGANANI	39 188
DEEDS139016	TOLT00510000085200000	ERF 852 HLANGANANI	39 188
DEEDS139045	TOLT00510000088000000	ERF 880 HLANGANANI	39 188
DEEDS138557	TOLT00510000030500000	ERF 305 HLANGANANI	39 188
DEEDS138572	TOLT00510000035000000	ERF 350 HLANGANANI	39 188
DEEDS138719	TOLT00510000055100000	ERF 551 HLANGANANI	39 188
DEEDS138918	TOLT00510000075600000	ERF 756 HLANGANANI	39 188
DEEDS138994	TOLT00510000083000000	ERF 830 HLANGANANI	39 188
DEEDS139040	TOLT00510000087600000	ERF 876 HLANGANANI	39 188
DEEDS139069	TOLT00510000090200000	ERF 902 HLANGANANI	39 188
DEEDS138992	TOLT00510000082800000	ERF 828 HLANGANANI	39 188
DEEDS138996	TOLT00510000083200000	ERF 832 HLANGANANI	39 188
DEEDS138999	TOLT00510000083500000	ERF 835 HLANGANANI	39 188
DEEDS139020	TOLT00510000085700000	ERF 857 HLANGANANI	39 188
DEEDS138806	TOLT00510000063600000	ERF 636 HLANGANANI	39 188
DEEDS138832	TOLT00510000066600000	ERF 666 HLANGANANI	39 188
DEEDS138276	TOLT00510000116600000	ERF 1166 HLANGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138324	TOLT00510000135100000	ERF 1351 HLNGANANI	39 188
DEEDS138327	TOLT00510000135400000	ERF 1354 HLNGANANI	39 188
DEEDS138352	TOLT00510000137900000	ERF 1379 HLNGANANI	39 188
DEEDS138458	TOLT00510000019400000	ERF 194 HLNGANANI	39 188
DEEDS138478	TOLT00510000021200000	ERF 212 HLNGANANI	39 188
DEEDS138546	TOLT00510000028200000	ERF 282 HLNGANANI	39 188
DEEDS138952	TOLT00510000078900000	ERF 789 HLNGANANI	39 188
DEEDS138656	TOLT00510000044300000	ERF 443 HLNGANANI	39 188
DEEDS138663	TOLT00510000045000000	ERF 450 HLNGANANI	39 188
DEEDS138672	TOLT00510000048200000	ERF 482 HLNGANANI	39 188
DEEDS138792	TOLT00510000062200000	ERF 622 HLNGANANI	39 188
DEEDS138808	TOLT00510000063800000	ERF 638 HLNGANANI	39 188
DEEDS138861	TOLT00510000069700000	ERF 697 HLNGANANI	39 188
DEEDS138873	TOLT00510000070800000	ERF 708 HLNGANANI	39 188
DEEDS138898	TOLT00510000073600000	ERF 736 HLNGANANI	39 188
DEEDS138919	TOLT00510000075700000	ERF 757 HLNGANANI	39 188
DEEDS138450	TOLT00510000018600000	ERF 186 HLNGANANI	39 188
DEEDS138461	TOLT00510000019700000	ERF 197 HLNGANANI	39 188
DEEDS138468	TOLT00510000020200000	ERF 202 HLNGANANI	39 188
DEEDS138473	TOLT00510000020700000	ERF 207 HLNGANANI	39 188
DEEDS138498	TOLT00510000023700000	ERF 237 HLNGANANI	39 188
DEEDS138563	TOLT00510000033000000	ERF 330 HLNGANANI	39 188
DEEDS138573	TOLT00510000035100000	ERF 351 HLNGANANI	39 188
DEEDS139044	TOLT00510000008800000	ERF 88 HLNGANANI	39 188
DEEDS139070	TOLT00510000090300000	ERF 903 HLNGANANI	39 188
DEEDS138991	TOLT00510000082700000	ERF 827 HLNGANANI	39 188
DEEDS139000	TOLT00510000083600000	ERF 836 HLNGANANI	39 188
DEEDS139067	TOLT00510000090000000	ERF 900 HLNGANANI	39 188
DEEDS138914	TOLT00510000075200000	ERF 752 HLNGANANI	39 188
DEEDS139066	TOLT00510000009000000	ERF 90 HLNGANANI	39 188
DEEDS138308	TOLT00510000132000000	ERF 1320 HLNGANANI	39 188
DEEDS138355	TOLT00510000138200000	ERF 1382 HLNGANANI	39 188
DEEDS138254	TOLT00510000110600000	ERF 1106 HLNGANANI	39 188
DEEDS138310	TOLT00510000132400000	ERF 1324 HLNGANANI	39 188
DEEDS138267	TOLT00510000115700000	ERF 1157 HLNGANANI	39 188
DEEDS138305	TOLT0051000001300000	ERF 13 HLNGANANI	39 188
DEEDS138323	TOLT00510000135000000	ERF 1350 HLNGANANI	39 188
DEEDS138451	TOLT00510000018700000	ERF 187 HLNGANANI	39 188
DEEDS138460	TOLT00510000019600000	ERF 196 HLNGANANI	39 188
DEEDS138497	TOLT00510000023600000	ERF 236 HLNGANANI	39 188
DEEDS138493	TOLT00510000023200000	ERF 232 HLNGANANI	39 188
DEEDS138278	TOLT00510000116800000	ERF 1168 HLNGANANI	39 188
DEEDS138283	TOLT00510000117300000	ERF 1173 HLNGANANI	39 188
DEEDS138360	TOLT00510000138700000	ERF 1387 HLNGANANI	39 188
DEEDS138463	TOLT00510000199000000	ERF 199 HLNGANANI	39 188
DEEDS138502	TOLT0051000024100000	ERF 241 HLNGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138571	TOLT00510000034700000	ERF 347 HLNGANANI	39 188
DEEDS138625	TOLT00510000041200000	ERF 412 HLNGANANI	39 188
DEEDS138631	TOLT00510000041800000	ERF 418 HLNGANANI	39 188
DEEDS138325	TOLT005100000135200000	ERF 1352 HLNGANANI	39 188
DEEDS138351	TOLT00510000137800000	ERF 1378 HLNGANANI	39 188
DEEDS138377	TOLT00510000140300000	ERF 1403 HLNGANANI	39 188
DEEDS138718	TOLT00510000055000000	ERF 550 HLNGANANI	39 188
DEEDS138809	TOLT00510000063900000	ERF 639 HLNGANANI	39 188
DEEDS138815	TOLT00510000064500000	ERF 645 HLNGANANI	39 188
DEEDS138824	TOLT00510000065700000	ERF 657 HLNGANANI	39 188
DEEDS138840	TOLT00510000067500000	ERF 675 HLNGANANI	39 188
DEEDS138847	TOLT00510000068300000	ERF 683 HLNGANANI	39 188
DEEDS138852	TOLT00510000068800000	ERF 688 HLNGANANI	39 188
DEEDS138848	TOLT00510000068400000	ERF 684 HLNGANANI	39 188
DEEDS138567	TOLT00510000033400000	ERF 334 HLNGANANI	39 188
DEEDS138626	TOLT00510000041300000	ERF 413 HLNGANANI	39 188
DEEDS138660	TOLT00510000044700000	ERF 447 HLNGANANI	39 188
DEEDS138673	TOLT00510000049000000	ERF 490 HLNGANANI	39 188
3164671	TOLT00510000002200000	ERF 22 HLNGANANI	39 188
DEEDS138679	TOLT00510000050300000	ERF 503 HLNGANANI	39 188
DEEDS138565	TOLT00510000033200000	ERF 332 HLNGANANI	39 188
DEEDS138661	TOLT00510000044800000	ERF 448 HLNGANANI	39 188
DEEDS138674	TOLT00510000049100000	ERF 491 HLNGANANI	39 188
DEEDS138683	TOLT00510000051100000	ERF 511 HLNGANANI	39 188
DEEDS138262	TOLT005100000115200000	ERF 1152 HLNGANANI	39 188
DEEDS138271	TOLT005100000116100000	ERF 1161 HLNGANANI	39 188
DEEDS138363	TOLT005100000139000000	ERF 1390 HLNGANANI	39 188
DEEDS138376	TOLT005100000140200000	ERF 1402 HLNGANANI	39 188
DEEDS138398	TOLT005100000142400000	ERF 1424 HLNGANANI	39 188
DEEDS138447	TOLT00510000018300000	ERF 183 HLNGANANI	39 188
DEEDS138448	TOLT00510000018400000	ERF 184 HLNGANANI	39 188
DEEDS138454	TOLT00510000019000000	ERF 190 HLNGANANI	39 188
DEEDS138475	TOLT00510000020900000	ERF 209 HLNGANANI	39 188
DEEDS138499	TOLT00510000023800000	ERF 238 HLNGANANI	39 188
DEEDS138529	TOLT00510000026700000	ERF 267 HLNGANANI	39 188
DEEDS138556	TOLT00510000030300000	ERF 303 HLNGANANI	39 188
DEEDS138588	TOLT00510000036700000	ERF 367 HLNGANANI	39 188
DEEDS138349	TOLT005100000137600000	ERF 1376 HLNGANANI	39 188
DEEDS138399	TOLT005100000142500000	ERF 1425 HLNGANANI	39 188
DEEDS138449	TOLT00510000018500000	ERF 185 HLNGANANI	39 188
DEEDS138457	TOLT00510000019300000	ERF 193 HLNGANANI	39 188
3165141	TOLT00510000001700000	ERF 17 HLNGANANI	39 188
3165131	TOLT00510000001800000	ERF 18 HLNGANANI	39 188
DEEDS138643	TOLT00510000043000000	ERF 430 HLNGANANI	39 188
DEEDS138269	TOLT005100000115900000	ERF 1159 HLNGANANI	39 188
3165171	TOLT00510000001400000	ERF 14 HLNGANANI	39 188

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138248	TOLT0051000001000000	ERF 10 HLNGANANI	39 188
DEEDS139046	TOLT0051000088100000	ERF 881 HLNGANANI	39 188
DEEDS139054	TOLT0051000088900000	ERF 889 HLNGANANI	39 188
DEEDS139055	TOLT0051000089000000	ERF 890 HLNGANANI	39 188
DEEDS138607	TOLT0051000039500000	ERF 395 HLNGANANI	39 188
DEEDS138629	TOLT0051000041600000	ERF 416 HLNGANANI	39 188
DEEDS138659	TOLT0051000044600000	ERF 446 HLNGANANI	39 188
DEEDS138712	TOLT0051000054400000	ERF 544 HLNGANANI	39 188
DEEDS138837	TOLT0051000067200000	ERF 672 HLNGANANI	39 188
DEEDS138839	TOLT0051000067400000	ERF 674 HLNGANANI	39 188
DEEDS138875	TOLT0051000071100000	ERF 711 HLNGANANI	39 188
DEEDS138446	TOLT0051000018200000	ERF 182 HLNGANANI	38 796
DEEDS138669	TOLT0051000046100000	ERF 461 HLNGANANI	38 796
DEEDS138495	TOLT0051000023400000	ERF 234 HLNGANANI	38 796
DEEDS138664	TOLT0051000045300000	ERF 453 HLNGANANI	38 796
DEEDS138496	TOLT0051000023500000	ERF 235 HLNGANANI	38 796
DEEDS138633	TOLT0051000042000000	ERF 420 HLNGANANI	38 796
DEEDS138570	TOLT0051000034400000	ERF 344 HLNGANANI	38 796
		ERF 144 PORTION 0 OF	
	TOJR01250000014400000	KOEDOEESPOORT	35 905
	TOJU00000000021200073	FARM 212 PORTION 73 OF JU	35 905
	TOJS00000000024600012	Farm 246 portion 12 of Doornkop JS	35 905
	TOJS00000000015400000	FARM 154 PORTION 0 VLAKLAAGTE	35 905
	TOJT00000000011400017	FARM BADFONTEIN 114 PORTION 17, BADFONTEIN	35 905
	NOES00000001725900000	FARM SNOWLANDS FOREST RESERVE 17259 PORTION 0,	35 905
	TOJR01990000031900002	ERF 319 PORTION 2 OF PRETORIA	35 905
	TOJR01990000001900003	ERF 19 PORTION 3 OF PRETORIA	35 905
	TOJT00000000011500003	FARM ELANDSPRUIT 115 PORTION 3, ELANDSPRUIT	35 905
2459731	TOKU00220000015100000	ERF 151 OF THULAMAHAXI	35 286
427191	TOJR02420000139900000	ERF 1399 OF PRETORIA	31 350
DEEDS138432	TOLT00510000150200000	ERF 1502 HLNGANANI	31 350
DEEDS139077	TOLT0051000097100000	ERF 971 HLNGANANI	31 350
DEEDS138435	TOLT00510000150500000	ERF 1505 HLNGANANI	31 350
DEEDS138436	TOLT00510000150600000	ERF 1506 HLNGANANI	31 350
DEEDS138763	TOLT0051000059400000	ERF 594 HLNGANANI	31 350
DEEDS138562	TOLT0051000032200000	ERF 322 HLNGANANI	31 350
DEEDS138251	TOLT0051000010600000	ERF 106 HLNGANANI	31 350
DEEDS138426	TOLT00510000149800000	ERF 1498 HLNGANANI	31 350
200000062105	TOJU00350000121100000	ERF 1211 OF KABOKWENI-A AGRICULTURAL HOLDING 21 STEYNBERG AGRICULTURAL HOLDINGS	30 144
379011	TOJR0236000002100000		29 391
2871471	NOES00000000011300002	PORTION 2 OF ERF 113 ES	27 817
2553943	TOIU00020000133200000	ERF 1332 EKULINDENI-A	22 000
2553942	TOIU00020000133100000	ERF 1331 EKULINDENI-A	22 000
2553941	TOIU00020000133000000	ERF 1330 EKULINDENI-A	22 000

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
DEEDS138292	TOLT00510000120900000	ERF 1209 HLANGANANI	21 553
DEEDS138258	TOLT00510000112800000	ERF 1128 HLANGANANI	19 594
3164721	TOLT0051000002100000	ERF 21 HLANGANANI	19 594
3164881	TOLT0051000001500000	ERF 15 HLANGANANI	19 594
3165111	TOLT0051000002000000	ERF 20 HLANGANANI	19 594
3165151	TOLT0051000001600000	ERF 16 HLANGANANI	19 594
447651	T0HS00040000066000000	ERF 660 VOLKSRUST	19 000
448211	T0HS00040000066100000	ERF 661 VOLKSRUST	19 000
DEEDS138601	TOLT00510000038900000	ERF 389 HLANGANANI	14 549
1636031	T0HS00040000065800000	ERF 658 VOLKSRUST	13 571
1154884	F00300030000109400000	ERF 1094 OF BLOEMFONTEIN	12 840
2526731	T0JR02700000063500000	AGRICULTURAL HOLDING 635 WALLMANNSTHAL AGRICULTURAL HOLDINGS EXT 1	12 736
DD30082014_112061	T0KU00160000029100000	AGRICULTURAL HOLDING 12610 PORTION 0 OF WALLMANNSTHAL AGRICULTURAL HOLDINGS EXT 3	11 847
898151	C03900000000035400000	FARM 354 KNYSNA RD	9 095
904481	C03900000000035300000	FARM 353 OF KNYSNA-FARM 353	7 343
DEEDS138424	TOLT00510000149600000	ERF 1496 HLANGANANI	5 388
2558844	TOJS00230000027100000	ERF 271 MIDDELBURG	3 204
2918701	TOJR01990000014800002	ERF 148 PORTION 2 OF PRETORIA	2 339
DEEDS158979	TOJR01990000014800003	PORTION 3 OF ERF 148 PRETORIA	2 319
493021	TOJR01990000014800004	PORTION 4 OF ERF 148 PRETORIA	2 292
<b>Total</b>			<b>126 951 581</b>

Furthermore, the following land parcels were noted to have been accounted for in both the PMTE and the Western Cape provincial office immovable asset register.

<b>Unique Property Code_2021</b>	<b>LPI Code (as per deeds aktex)_2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
702801	C01600110000014100000	ERF 141 CONSTANTIA	51 387
721121	C01600540000212000000	ERF 2120 SIMON'S TOWN	86 896
718311	C01600500000034500000	ERF 345 SCHAAP KRAAL	2 028 250
<b>Total</b>			<b>2 166 533</b>

### **Impact**

The above will result in an overstatement of PPE: Land (carrying amount) by an amount of R129 117 114

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by complete information.

Management didn't properly review the land parcels recorded on the IAR to be supported by the Deeds support to ensure that all inputs have been correctly transferred to the IAR.

### **Recommendation**

It is recommended that management should ensure that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the land extent recorded on the IAR should be reviewed against the Deeds support or CSG Diagram to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

Management should revisit the whole population to determine the full impact of this finding and correct the population.

**Management response**

Management is in agreement with the finding. AGSA has identified all errors within the population as has been confirmed by Management's review.

**Auditors Conclusion**

Management's comments are noted. The finding remains and will be reported in the management report.

## **PMTE HO COFF 27- Immovable assets – Existence (Land parcels that could not be traced to the deeds register using the LIP code)**

### **Requirements**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 41 furthermore states that: “*An accounting officer of a department, trading entity or constitutional institution must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 1: Custodian Framework for the state of immovable assets state that: “*Custodianship is the equivalent of control or ownership of the assets from an accounting perspective. DPW must therefore, in terms of the relevant reporting framework, recognize/disclose as its own assets all immovable assets that it controls, whether it is through custodianship on behalf of the state, or direct ownership...*”

## Nature

During the audit of immovable assets, the following land parcels included in the immovable asset register that were deemed to belong PMTE in terms of the Immovable Asset Guide were confirmed to not be registered nor exist at the deeds office through use of the LPI code:

<b>Unique Property Code 2021</b>	<b>LPI Code (as per deeds aktex) 2021</b>	<b>Property Description</b>	<b>CARRYING VALUE 31 MARCH 2021</b>
2681383	NOGU00000001584000000	ERF 15840 PORTION DUM 3 OF ULUNDI	193 498 483,38
501111	TOIU00000000005000000	FARM 5 OF IU-KRANSKOP	13 644 581,06
DEEDS148604	TOLR00000000086700000	FARM 867 OF LR-HOLMESLEIGH	13 526 997,63
DEEDS4585	C01600000000050800000	FARM 508 OF CAPE RD-BELHAR	12 848 989,72
443321	TOHT00000000002300000	FARM 23 OF HT-GROOTSPRUIT	11 210 661,14
603961	C01600000000097000000	FARM 970 OF CAPE RD-ELSJES RIVIER	11 149 273,54
DEEDS182269	C08100000000025100008	FARM 251 PORTION 8 OF VRYBURG RD-MAIN SECTION BLOCK B	6 276 187,84
637201	C07500000000018700025	FARM 187 PORTION 25 OF TULBAGH RD-KRUYS VALLEY	5 469 345,00
442721	TOHT00000000002300001	FARM 23 PORTION 1 OF HT-GROOTSPRUIT	3 507 834,61
DEEDS4656	C01600000000096900000	FARM 969 OF CAPE RD-FARM 969	2 050 772,59
776671	C01600000000075700011	FARM 757 PORTION 11 OF CAPE RD-OTTERY	1 503 644,01
616653	C01600000000091900000	FARM 919 OF CAPE RD-RAPEKRAL	1 445 498,46
1384242	C07800000000030600147	FARM 306 PORTION 147 OF VANRHYNSDORP RD-BIRD FIELD	1 201 569,18
638465	C01600000000075600000	FARM 756 OF CAPE RD-BAMBOES VLEI ANNEX	795 952,44
638464	C01600000000075500000	FARM 755 OF CAPE RD-FARM 755	466 755,38
705471	C06700000000045400097	FARM 454 PORTION 97 OF STELLENBOSCH RD-WIMBLEDON	249 713,68
DEEDS30340	C06700000000045400096	FARM 454 PORTION 96 OF STELLENBOSCH RD-WIMBLEDON	249 713,68
785951	C01600000000096800000	FARM 968 OF CAPE RD-FARM 968	180 228,89
720861	C01600000000096700003	FARM 967 PORTION 3 OF CAPE RD-WELCOME COTTAGE	110 000,00
200000072037	TOIR03100000256300000	ERF 2563 PORTION 0 OF JOHANNESBURG	107 333,13
717981	C01600000000024500002	FARM 245 PORTION 2 OF CAPE RD-MONTAGUE GARDENS	95 173,55
600000010019	TOIR03100000256700000	ERF 2567 JOHANNESBURG	75 533,52
600000010018	TOIR03100000256200000	ERF 2562 JOHANNESBURG	75 533,52
200000072075	TOIR03100000257000000	ERF 2570 PORTION 0 OF JOHANNESBURG	75 533,52
100000038206	C03600130000074000000	ERF 740 PORTION 0 OF OLYVENHOUTSDRIFT SETT	62 419,59
	TOJT00000000011500005	FARM ELANDSPRUIT 115 PORTION 5,	35 905,25
425831	TOLS00140000074800000	ERF 748 OF PIETERSBURG	4 101,12
426251	TOLS00140000074700000	ERF 747 OF PIETERSBURG	4 101,12
427231	TOLS00140000072700000	ERF 727 OF PIETERSBURG	4 100,46
507731	TOLS00140000072600000	ERF 726 OF PIETERSBURG	1 424,03
<b>Total</b>			<b>279 927 361,04</b>

## Impact

The above will result in an (**updated impact based on the auditor's conclusion**)

- Overstatement of PPE: Land (carrying amount) by an amount of R193 498 483

- Understatement of PPE Land: (carrying value) by an amount of R348 738 493
- ***Overall understatement impact of PPE Land: R155 240 010***

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by complete information.

Management did not properly review the land parcels recorded on the IAR to be supported by the Deeds support to ensure that all inputs have been correctly transferred to the IAR.

### **Recommendation**

It is recommended that management should ensure that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the land extent recorded on the IAR should be reviewed against the Deeds support or CSG Diagram to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

Management should revisit the whole population to determine the full impact of this finding and correct the population.

### **Management response**

Management is in agreement with the finding. AGSA has identified all errors within the population as has been confirmed by Management's review

### **Auditors Conclusion**

Management comments are noted. Please refer to the auditor's conclusion below:

#### Property code: 2681383

Management has agreed to an overstatement noted of R193 498 483 and property will be reported in the management report.

#### Remaining properties on the table above.

Management provided supporting documentation that has confirmed that the LPI code captured on the immovable assets register (IAR) was incorrect. The consolidation process conducted on properties resulted in the change in LPI code captured on deeds. Management failed to update their immovable assets register with the updated LPI code. This resulted in these properties not being identified through our CAATs analysis hence an existence issue was raised.

Through evaluation of information submitted by management confirming the issue on the LPI code, it was noted that the consolidation process resulted in a change of the deemed cost value due to changes of extent of properties as part of the consolidation process. Therefore, the land parcels have been included in the immovable asset register at an incorrect value resulting in an understatement of R348 738 493 as tabled below

No	Unique Property Code_2021	Old LPI Code (as per deeds aktex) _2021	New LPI	Previous carrying amount	Consolidated Land Values	Difference
1	501111	T0IU00000000000500000	T0IU00000000001000000	13 644 581	20 125 541	- 6 480 960
2	DEEDS148604	T0LR00000000086700000	T0LR00000000086100000	13 526 998	369 239 979	- 355 712 981
3	DEEDS4585	C0160000000050800000	C01600020004095500000	12 848 990	12 848 990	-
4	443321	T0HT00000000002300000	T0HT00000000002300026			
5	442721	T0HT00000000002300001	T0HT00000000002300026	14 718 496	7 264 382	-
6	603961	C0160000000097000000	C01600540000592600000	11 149 274	2 025 769	9 123 505
7	DEEDS182269	C08100000000025100008	T0IM00000000025100008	6 276 188	6 258 881	17 306
8	637201	C07500000000018700025	C07500030000334700000	5 469 345	5 469 345	-
9	DEEDS4656	C0160000000096900000	C01600540000592500000	2 050 773	2 025 769	25 004
10	776671	C01600000000075700011	C01600070017786800000	1 503 644	1 503 644	-
11	616653	C0160000000091900000	C01600110001397500000	1 445 498	549 607	895 892
12	1384242	C07800000000030600147	C07800030000196800000	1 201 569	1 201 569	-
13	638465	C01600000000075600000	C01600070017786200000	795 952	790 269	5 684
14	638464	C01600000000075500000	C01600070017786100000	466 755	462 550	4 205
15	705471	C06700000000045400097	C06700020000107400000	249 714	249 714	-
16	DEEDS30340	C06700000000045400096	C06700020000107300000	249 714	249 714	-
17	785951	C0160000000096800000	C01600540000592400000	180 229	168 814	11 415
18	720861	C0160000000096700003	C01600540000591900000	110 000	110 000	-
19	717981	C0160000000024500002	C01600070017807500000	95 174	95 174	-
20	200000072037	T0IR03100000256300000	T0IR03100000534700000			
21	600000010019	T0IR03100000256700000	T0IR03100000534700000			
22	600000010018	T0IR03100000256200000	T0IR03100000534700000			
23	200000072075	T0IR03100000257000000	T0IR03100000534700000	333 934	519 954	- 186 021

No	Unique Property Code_2021	Old LPI Code (as per deeds aktex) _2021	New LPI	Previous carrying amount	Consolidated Land Values	Difference
2 4	100000038206	C0360013000007400000	C0280013000007400000	62 420	575 565	- 513 145
2 5		T0JT0000000001150005	T0JT0000000002210000	35 905	3 415 783	- 3 379 877
2 6	425831	T0LS0014000007480000	T0LS00140002690700000			
2 7	426251	T0LS0014000007470000	T0LS00140002690700000			
2 8	427231	T0LS0014000007270000	T0LS00140002690700000			
2 9	507731	T0LS0014000007260000	T0LS00140002690700000	13 727	16 359	- 2 633
				<b>86 428 878</b>	<b>435 167 371</b>	<b>- 348 738 493</b>

## **PMTE HO COFF 45 - Immovable assets - Properties accounted for in both the National and Provincial IAR (Rights Requirements):**

### **Requirements**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 41 furthermore states that: “*An accounting officer of a department, trading entity or constitutional institution must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 1: Custodian Framework for the state of immovable assets state that: “*Custodianship is the equivalent of control or ownership of the assets from an accounting perspective. DPW must therefore, in terms of the relevant reporting framework, recognize/disclose as its own assets all immovable assets that it controls, whether it is through custodianship on behalf of the state, or direct ownership...*”

## Nature

During the audit of immovable assets, we noted that the land parcels listed below were accounted for in both the PMTE and the stated Provincial offices' immovable asset register. Therefore, the custodianship of the land parcels could not be confirmed to belong to PMTE. In addition, no supporting documentation had been provided to proof ownership thereof.

### Property, plant and equipment – Land

#### Northern Cape Provincial Office:

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	CARRYING VALUE 31 MARCH 2021
DEEDS45270	C0070000000016100001	PORTION 1 OF FARM 161 HOLPAN BARKLY WES RD	11 626,44
<b>Total</b>			<b>11 626,44</b>

#### North West Provincial Office:

Unique Property Code_2021	LPI Code (as per deeds aktex)_2021	Property Description	CARRYING VALUE 31 MARCH 2021
DEEDS150161	T0HO00080000042100000	ERF 421 MAQUASSI	1 601,66
424061	T0JQ0016000007100000	ERF 71 MEERHOF	108 900,00
DEEDS150162	T0HO00080000042200000	ERF 422 MAQUASSI	336 424,13
1683981	T0JQ00160000019700000	ERF 197 MEERHOF	365 000,00
DEEDS150427	T0JQ00160000009200000	ERF 92 MEERHOF	375 000,00
<b>Total</b>			<b>1 186 925,79</b>

## **Impact**

The above will result in an overstatement of PPE: Land (carrying amount) by an amount of R1 198 552.23

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by complete information.

Management didn't properly review the land parcels recorded on the IAR to be supported by the Deeds support to ensure that all inputs have been correctly transferred to the IAR.

## **Recommendation**

It is recommended that management should ensure that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the land extent recorded on the IAR should be reviewed against the Deeds support or CSG Diagram to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

Management should revisit the whole population to determine the full impact of this finding and correct the population.

## **Management response**

Management is partly in agreement with the finding.

Management agrees to 6 of the 114 identified errors. The AGSA was taken through the exceptions and shown individually why the duplications are not valid.

Please refer to managements comment within the table in the body of the COFF to identify which 6 were agreed to and the 108 disagreed to.

## **Auditors Conclusion**

Management response is noted, we have engaged with management and we were able to identify properties that were not duplicated and have been removed on the initial table. Remaining misstatement included on the table above will be reported on the management report.

## **PMTE HO COFF 46 - Immovable assets (Improvement) Ownership of property could not be proven**

### **Requirements:**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: "*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*"

Section 41 furthermore states that: "*An accounting officer of a department, trading entity or constitutional institution must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*"

Paragraph 1: Custodian Framework for the state of immovable assets state that: "*Custodianship is the equivalent of control or ownership of the assets from an accounting perspective. DPW must therefore, in terms of the relevant reporting framework, recognize/disclose as its own assets all immovable assets that it controls, whether it is through custodianship on behalf of the state, or direct ownership...*"

## Nature

### Issue 1

During the audit of immovable assets, the custodianship of the land parcels which were communicated under COFF 24 and COFF 27 could not be proven to belong to PMTE based on what is deemed to belong to the Department of Public Works.

Based on the matter indicated above, the following improvements listed below which are linked to the land parcel and that form part of the same property could not be reasonable proven to belong to PMTE.

### Property, plant and equipment (PPE)

Buildings relating Land parcels to be removed as per COFF 24

Building Id	Site ID	Unique prop code of land parcel/site	FACILITY/ GROUPING NAME	Facility Type as per physical verification	CARRY VALUE FOR THE YEAR 2020/21
100000033545	100000032868	141771	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	12 223
205700130	100000032866	169391	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	18 941
100000033546	100000032868	141771	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	39 376
232500005	200000063190	DEEDS58066	POWER HOUSE	OFFICE	51 840
100000035949	100000032866	169391	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	52 904
200000112366	200000056911	200000056911	HATFIELD FIRE STATION	STORAGE	86 929
200000112370	200000056911	200000056911	HATFIELD FIRE STATION	OFFICE	87 790
200000112359	200000056911	200000056911	HATFIELD FIRE STATION	RESIDENTIAL HOUSE	87 790
2100750084	100000038197	DEEDS46305	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	88 908
200000112369	200000056911	200000056911	HATFIELD FIRE STATION	OFFICE	113 610
200000112363	200000056911	200000056911	HATFIELD FIRE STATION	OFFICE	147 177
200000112360	200000056911	200000056911	HATFIELD FIRE STATION	OFFICE	147 177
200000112362	200000056911	200000056911	HATFIELD FIRE STATION	RESIDENTIAL HOUSE	199 992
2000042103	100000033427	562751	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	205 062
2000042094	100000038197	DEEDS46305	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	237 088
2100750078	100000038197	DEEDS46305	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	373 318
232500159	100000038699	DEEDS58074	ERF 1899 PORTION 0 OF HOUGHTON ESTATE	OFFICE	437 568
2100750074	100000038197	DEEDS46305	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	609 928

2000042089	100000038197	DEEDS46305	RESIDENTIAL ACCOMODATION	RESIDENTIAL HOUSE	1 185 440
<b>Total</b>					<b>4 183 061</b>

## **Impact**

The above will result in an overstatement of PPE: Improvements (carrying amount) by an amount of R4 183 061.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by complete information.

Management did not properly review the land parcels recorded on the IAR to be supported by the Deeds support to ensure that all inputs have been correctly transferred to the IAR.

## **Recommendation**

It is recommended that management should ensure that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the land extent recorded on the IAR should be reviewed against the Deeds support or CSG Diagram to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

Management should revisit the whole population to determine the full impact of this finding and correct the population.

## **Management response**

Management partially agrees to the finding.

Issue 1: Management agrees to 16 of the 67 exceptions. Please refer to column added in the table for specifics of which building is agreed to and which is not.

Management only agrees to R3 743 032 of the R193 959 148 overstatement.

## **Auditors Conclusion**

Management response noted. We have inspected the subsequent information provided by management and we were able to clear the properties were ownership can be provided. The properties were management agreed with us will remain and be reported on the management response.

We have also disagreed with management on the following properties were the response provided by management was not sufficient.

Building ID: 200000112359

Building ID: 200000112363

Building ID: 2000042103

The finding remain and be reported on the management report.

## **PMTE HO COFF 44 - Immovable assets - Differences identified during the physical verification process**

### **Requirements:**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Generally Recognised Accounting Practice (GRAP) 17 paragraph 38 states that: “*If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....*”

Directive 7 paragraph 6 states that: “*When an entity initially recognises or acquires an asset using the Standards of GRAP, it measures such assets using either cost or fair value (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP or on the transfer date or the merger date (initial acquisition), acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP or on the transfer date or the merger date (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date...*”

Directive 7 paragraph 10 (a) to (c) states that: “*If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or a heritage asset, an entity may estimate such fair value using depreciated replacement cost at the measurement date for an item of property, plant and equipment; depreciated replacement cost at the measurement date for an investment property, but only if the investment property is of such a specialized nature that there is no market-based evidence of fair value; and replacement cost at the measurement date for heritage assets...*”

## Nature

During the audit of immovable assets, we noted that the extent of footprint (in SQM) disclosed in the immovable asset register (IAR) does not agree to the extent of footprint measured by auditors using the measuring wheel during the physical verification process.

### PPE – Measuring Wheel:

Building ID	Unique prop code of land parcel/site	Extent Of footprint as per measuring wheel	Extent Of footprint as per IAR	Difference	Recalculated depreciable replacement cost excel component (R.)	Depreciable replacement cost excel component per asset register (R.)	Difference (R.)
226500392	200000062429	10,5	8 043,00	(8 033)	18 900,00	14 477 400,00	(14 458 500,00)
239150442	200000056752	1 554,96	792,00	763	6 017 695,20	3 065 040,00	2 952 655,20
100000012332	3130471	268,67	302,72	(34)	608 537,55	685 660,80	(77 123,25)
200000121211	200000058349	80,4	108,00	(28)	182 106,00	244 620,00	(62 514,00)
100000027115	380581	181,65	218,00	(36)	651 215,25	781 530,00	(130 314,75)
100000022456	387781	158,7	300,00	(141)	568 939,50	1 075 500,00	(506 560,50)
100000004245	2931651	1 159,92	1 400,00	(240)	5 637 211,20	5 418 000,00	(219 211,20)
200000121400	504371	1612	1 983,00	(371)	7 834 320,00	7 674 210,00	(160 110,00)
<b>Total</b>							<b>(11 903 036,10)</b>

### Investment property – Measuring wheel:

Building ID	Unique prop code of land parcel/site	Extent Of footprint as per measuring wheel	Extent Of footprint as per IAR	Difference	Recalculated depreciable replacement cost excel component (R.)	Depreciable replacement cost excel component per asset register (R.)	Difference (R.)
100000006512	1179151	309,83	220,00	89,83	740 493,70	525 800,00	214 693,70

## **Impact**

Based on the sample tested:

Property, plant and equipment (measured using the measuring wheel) have been overstated by an amount of R11 903 036.10.

Investment property (measured using the measuring wheel) has been understated by an amount of R214 693.70.

However, management should revisit the whole population to determine the full impact of this finding.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not properly review the extent of the buildings measured through the measuring wheel to ensure the extent has been measured appropriately and accurately recorded in the IAR to support the amount disclosed in the annual financial statement.

## **Recommendation**

It is recommended that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the extent of buildings measured using the measuring wheel may have to be properly reviewed and to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

## **Management response:**

Management is in agreement with the findings that AGSA has reported.

## **Auditors Conclusion**

Management response has been noted. The finding will be reported in the management report.

**Requirements:**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice....*”

Generally Recognized Accounting Practice (GRAP) 17 paragraph 38 states that: “*If there is no market-based evidence of fair value because of the specialized nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....*”

Directive 7 paragraph 6 states that: “*When an entity initially recognizes or acquires an asset using the Standards of GRAP, it measures such assets using either cost or fair value (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP or on the transfer date or the merger date (initial acquisition), acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP or on the transfer date or the merger date (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date....*”

Directive 7 paragraph 10 (a) to (c) states that: “*If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or a heritage asset, an entity may estimate such fair value using depreciated replacement cost at the measurement date for an item of property, plant and equipment; depreciated replacement cost at the measurement date for an investment property, but only if the investment property is of such a specialized nature that there is no market-based evidence of fair value; and replacement cost at the measurement date for heritage assets....*”

## Nature

During the audit of immovable assets, we noted that the extent of footprint (in SQM) disclosed in the immovable asset register (IAR) does not agree to the extent of footprint measured by auditors using the measuring wheel during the physical verification process.

### PPE – Measuring Wheel:

Building ID	Unique prop code of land parcel/site	Extent Of footprint as per measuring wheel	Extent Of footprint as per IAR	Difference	Recalculated depreciable replacement cost excel component (R.)	Depreciable replacement cost excl component per asset register (R.)	Difference (R.)
100000007916	3059091	84.65	46	38.65	21 143.99	11 489.95	9 654.05
246100387	1155131	35.89	3454	3418.11	64 602.00	6 217 200.00	(6 152 598.00)
242200214	DEEDS31032015	31.2	915	883.80	70668.00	2 072 475.00	(2 001 807.00)
242200196	DEEDS31032015_0027418	4721.64	4707	14.64	14259352.80	14 215 140.00	44 212.870
<b>Total</b>							<b>(8 100 538.15)</b>

## **Impact**

Based on the sample tested:

Property, plant and equipment (measured using the measuring wheel) have been overstated by an amount of R8 100 538.

## **Internal control deficiency**

*Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not properly review the extent of the buildings measured through the measuring wheel to ensure the extent has been measured appropriately and accurately recorded in the IAR to support the amount disclosed in the annual financial statement.

## **Recommendation**

It is recommended that adequate review process be implemented on the schedules and other information supporting the annual financial statement to ensure that the annual financial statements submitted are supported by accurate and complete schedules and information.

Furthermore, the extent of buildings measured using the measuring wheel may have to be properly reviewed and to confirm that all inputs have been accurately transferred before finalizing immovable asset register.

## **Management response:**

Management is in agreement with the findings that AGSA has reported.

## **Auditors Conclusion**

Management response noted. The finding will be reported on the management report.

## **PMTE HO COFF 50 - PPE - Depreciation differences**

### **Requirements**

Section 40(3)(a) of the Public Finance Management Act states that: “*The annual report and audited financial statements referred to subsection (1) (d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned...*”

Standards of Generally Recognised Accounting Practice (GRAP) 1 paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

Generally Recognised Accounting Practice (GRAP) 17 paragraph 55 states that: “*The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.*”

### **Nature**

During the audit of Property plant and equipment, we noted differences between management calculations and auditor's recalculations on the current year depreciation values and accumulated depreciation as at 31 March 2021 as disclosed in the table below. These differences were mainly due to the following:

- Conditional re-assessments that were made
- Differences in the recalculated deemed costs and the deemed costs as per immovable asset register due to differences in extent.

<b>Building ID</b>	<b>Accumulated depreciation as at 31 March 2020/21 as per IAR</b>	<b>Auditors recalculated accumulated depreciation as at 31 March 2020/21</b>	<b>Difference – Accumulated depreciation</b>	<b>Depreciation for the year ended 31 March 2021 as per IAR</b>	<b>Auditors recalculated depreciation for the year ended 31 March 2021</b>	<b>Difference – Depreciation (R.)</b>
200000137734	3 472 325,56	3 447 667,02	24 658,54	453 415,27	452 912,03	503,24
100000038945	8 438 079,97	11 910 794,17	(3 472 714,20)	1 079 192,54	1 181 331,20	(102 138,65)
100000012332	182 842,88	162 276,68	20 566,20	20 284,59	22 855,36	(2 570,78)
100000027115	208 408,00	173 657,40	34 750,60	21 707,18	26 051,00	(4 343,83)
100000022456	286 800,00	151 717,20	135 082,80	18 964,65	35 850,00	(16 885,35)
242200214	460 550,00	15 704,00	444 846,00	1 963,00	57 568,75	(55 605,75)
239150442	817 344,00	1 604 718,72	(787 374,72)	200 589,84	102 168,00	98 421,84
100000004245	1 444 800,00	1 503 256,32	(58 456,32)	187 907,04	180 600,00	7 307,04
246100387	1 657 920,00	17 227,20	1 640 692,80	2 153,40	207 240,00	(205 086,60)
200000121400	2 046 456,00	2 089 152,00	(42 696,00)	261 144,00	255 807,00	5 337,00
242200196	2 369 190,00	2 376 558,80	(7 368,80)	297 069,85	296 148,75	921,10
<b>Total</b>			<b>(2 068 013,09))</b>			<b>(274 140,74)</b>

## **Impact**

Based on the sample tested,  
Property, plant and equipment – accumulated depreciation is understated by R2 068 013.09 and current year depreciation is overstated by R274 140.74.

However, management should revisit the whole population to determine the full impact of this finding.

## **Internal control deficiency**

### *Financial and Performance Management*

The entity did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management did not review the immovable asset register that supports the annual financial statements before submission for audit.

## **Recommendation**

It is recommended that management should ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

## **Management response**

Management are in agreement with the finding.

The finding is due to errors in the wheel measured buildings extent. This exception will be corrected as per COFF 45 and 48.

## **Auditor's conclusion**

Management response noted. The finding will remain and be reported on the management response.

## **PMTE HO COFF 15 Immovable assets: Differences in the extents for multi-story buildings**

### **Requirements**

Section 40(a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards; must prepare financial statements for each financial year in accordance with generally recognized accounting practice…*”

Generally Recognised Accounting Practice (GRAP) 17 paragraph 38 states that: “*If there is no market-based evidence of fair value because of the specialised nature of the item of plant and equipment, an entity may need to estimate fair value using, for example, either reproduction cost or depreciated replacement cost. The depreciated replacement cost of an item of plant or equipment may be established by reference to the market buying price of components used to produce the asset or the indexed price for the same or a similar asset based on a price for a previous period. When the indexed price method is used, judgement is required to determine whether production technology has changed significantly over the period, and whether the capacity of the reference asset is the same as that of the asset being valued....*”

Directive 7 paragraph 6 states that: “*When an entity initially recognises or acquires an asset using the Standards of GRAP, it measures such assets using either cost or fair value (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP or on the transfer date or the merger date (initial acquisition), acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP or on the transfer date or the merger date (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date...*”

Directive 7 paragraph 10(a) to (c) states that: “*If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or a heritage asset, an entity may estimate such fair value using depreciated replacement cost at the measurement date for an item of property, plant and equipment; depreciated replacement cost at the measurement date for an investment property, but only if the investment property is of such a specialised nature that there is no market-based evidence of fair value; and replacement cost at the measurement date for heritage assets...*”

## **Nature**

During the audit of immovable assets, we noted that the extents included on the immovable asset register (IAR) did not agree to the extents as per management's expert reports submitted for audit. The above is based on the following assumptions:

- The number of floors included on the IAR is correct. The accuracy of the number of floors will be confirmed during the physical verification. Refer to the table below.

**Heritage - Multi-storey**

Unique prop code of land parcel/site	Building ID	Extent Of structure as per IAR	Extent Of structure as per management expert	Difference	Deemed cost as per IAR	Recalculated depreciable replacement cost (R)	Impact on the deemed cost (R)	Reason for Variance
980822	2109550125	10 797,44	6 294,22	4 503,22	104 951 116,80	61 179 818,40	43 771 298,40	2 buildings share the common ground floor, and common first floor. Regarded as one building.

## **Impact**

This will result in the overstatement of the heritage buildings of R43 771 298 and an understatement of property, plant and equipment buildings of R18 799 019. The property extent used to estimate the deemed is high and does not reliably reflect the extent of the land.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

## **Recommendation**

It is recommended that management ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management to ensure the land extents in the IAR are accurate and based on supporting documentation.

### **Management response:**

Management disagrees with the finding.

Management in collaboration with service provider exercised detailed review of the multi-storey buildings. This resulted in management revising the extents of multi-storey buildings as previously recognised in the IAR.

The detailed reason for the adjustment per building selected is provided in the table above within the detailed finding. Please refer to added columns on table marked “Reason for Variance”.

Multi-storey building reports to support the extents as per the IAR provided as part of COFF response.

## **Auditor's conclusion**

Management's comments are noted. Based on the assessment of multi-storey reports provided, the discrepancies identified with regards to the extents of the buildings (**Property, Plant and Equipment**) mentioned above are **resolved** with the exception of the Heritage buildings.

### **Heritage Building: ID number: 2109550125**

The finding regarding the extent of the building is a recurring issue that was identified in the prior year as a misstatement due to the differences in the extents between the related building and the building adjacent to it. This resulted in the buildings being re-measured as a corrective measure to accurately account for the separate buildings in the immovable asset register.

According to management's response, the buildings were further re-measured to account for the two separate buildings as one building due to the two buildings sharing the common ground floor, and common first floor.

However, the mentioned adjacent building that has been indicated to be the merged with heritage building mentioned above has been separately disclosed with a different building id (214050513) and site ID (200000057619) in the immovable asset register, resulting in extent of the building to be double counted in the immovable asset register, resulting in an overstatement of Heritage assets by R43 771 298,40.

## *Assets under construction*

### **PMTE HO COFF 51 - Assets under construction (PPE) – Completed projects transferred out of AUC**

#### **Requirements**

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Generally Recognised Accounting Practice (GRAP) 1 par .17 states that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

In accordance to PMTE accounting policy 1.6 property, plant and equipment and GRAP 17 par. 07 states that “*The cost of an item of property, plant and equipment is recognised as an asset when: it is probable that future economic benefits or service potential associated with the item will flow to the entity; and the cost of the item can be measured reliably...*”

GRAP 17 par.12 infrastructure assets states that “*Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:*

- (a) *they are part of a system or network;*
- (b) *they are specialised in nature and do not have alternative uses;*
- (c) *they are immovable; and*
- (d) *they may be subject to constraints on disposal.*

## Nature

During the audit of assets under construction (AUC), the following differences were identified between the capitalized expenditure amount as per the Development Bank of Southern Africa (DBSA) confirmation and the capitalized amount as per the AUC register for AUC projects that were implemented by DBSA on behalf of the entity, which have been transferred out the AUC register.

WCS Project Number	Description of project	Total expenditure as at 31 March 2021 as per DBSA confirmation	Total expenditure as at 31 March 2021 (R.)	Difference (R.)
44746	POTCHESTROOM PRISON: TOTAL REPAIR AND RENOVATION TO THE PRISON	47 797 526,00	70 194 184,54	22 396 658,54
48478	POTCHEFSTROOM MILITARY BASE KLIPDRIFT ARTILERY SCHOOL	55 200 949,00	61 292 887,34	6 091 938,34
52562	POTCHEFSTROOM DEFENCE COMPLEX, SA ARMY 1 TAC INT REGT REFURBISHMENT	43 323 007,00	45 342 907,76	2 019 900,76
51840	SAPS WELKOM	86 478 911,00	102 932 209,55	16 453 298,55
51845	KOFFIEFONTEIN POLICE STATION: CONDITION BASED MAINTENANCE ON STRUCTURAL, ELECTRICAL AND CIVIL ELEMENTS	10 541 925,34	11 854 850,19	1 312 924,85
<b>Total</b>				<b>48 274 721,46</b>

## Impact

This results to the following:

Property, plant and equipment improvements is overstatement by R48 274 721

## Internal control deficiency

### *Financial and Performance Management*

The entity did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management did not review schedules that support the annual financial statements before submission for audit.

## Recommendation

It is recommended that management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

- Management should implement proper financial and reporting system of projects that are implemented on behalf of the entity to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

**Management response:**

Management is not in agreement with the finding for the following reasons:

Management is unable to reproduce the AGSA's numbers and as such we have attached a detailed excel spreadsheets showing the list of all payments for each project from inception to the 31<sup>st</sup> of March 2021 that support the amounts as per the AUC Register. The following explanations are given for each project:

**WCS 044746**

There are 28 payments as per the excel spreadsheet totaling R70 717 642.51 minus a prepayment of R523 457.97 which gives total project expenditure transferred out of AUC of R70 194 184.54 which support the amount as per the AUC Register.

**WCS 048478**

There are 18 payments as per the excel spreadsheet totaling R59 126 439.01 plus an accrual of R2 166 448.33 which gives total project expenditure transferred out of AUC of R61 292 887.34 which support the amount as per the AUC Register.

**WCS 052562**

There are 32 payments as per the excel spreadsheet totaling R44 999 197.90 plus an accrual of R343 709.86 which gives total project expenditure transferred out of AUC of R45 342 907.76 which support the amount as per the AUC Register.

**WCS 051840**

There are 45 payments as per the excel spreadsheet totaling R100 029 289.10 plus an accrual of R2 902 920.45 which gives total project expenditure transferred out of AUC of R102 932 209.55 which support the amount as per the AUC Register.

**WCS 051845**

There are 20 payments as per the excel spreadsheet totaling R13 446 101.90 minus a prepayment of R1 591 251.71 which gives total project expenditure transferred out of AUC of R11 854 850.19 which support the amount as per the AUC Register.

**Auditors Conclusion**

Management's comments are noted. The capital amounts for the projects were confirmed by DBSA and amounts are inconsistent with amounts disclosed by the entity. The finding will remain and will be followed up in the next financial year.

## Commitments

### PMTE CTN COFF 08 – Overstatement of commitments

#### Requirements:

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

The Accounting policy note 1.24 – Commitments states that “*Items are classified as commitments when the PMTE has committed itself to future transactions that will normally result in the outflow of cash and the estimates are based on unrecognized capital and maintenance expenditure which has been approved and either contracted for or an order has been issued to the supplier relating to immovable assets.*”

#### Nature

During the audit of Commitments in the Cape Town regional office, we noted the following differences between commitment amounts as per the commitments schedule and the recalculated commitment amount:

WCS Number	Client Department	Supplier	Commitment per schedule	Recalculated Commitments	Difference
55141	Environment, Forestry And Fisheries	CCK Building And Scaffolding Hire Cc	11 458 674,33		11 458 674,33
55293	Environment, Forestry And Fisheries	HP Praise Trading Enterprise	814 586,13	21 242,18	793 343,95
46748	PUBLIC WORKS & INFRASTRUCTURE	Coega Development Corp (Pty) Ltd	73 875 934,58	84 606 747,89	- 10 730 813,31
51191	PUBLIC WORKS & INFRASTRUCTURE	Coega Development Corp (Pty) Ltd	3 120 849,53	10 163 855,59	- 7 043 006,06
			<b>89 270 044,57</b>	<b>94 791 845,66</b>	<b>- 16 980 475,42</b>

#### Impact of the finding

This results in overstatement of commitments by R16 980 475.

#### Internal control deficiency

##### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

#### This is due to

- Management did not adequately review the commitment schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.
- The amounts per the schedule for WCSs where Coega is the supplier are based on the amounts committed to be transferred to Coega to implement the projects however

management shifted the responsibility to provide supporting evidence to Coega which results in differences as Coega provided contracts and invoices from the contractors and consultants appointed by Coega.

### **Recommendation**

Management review the commitment schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

Management should provide the supporting documents for amounts committed to be transferred to Coega and amounts already transferred for both the contractor and the consultant.

### **Management response:**

Management response was not submitted.

### **Auditor's conclusion**

Management's response not submitted in line with timelines agreed in the signed engagement letter. In the absence of management's response, the audit finding is considered valid and will be evaluated and reported accordingly.

## Movable Assets

### PMTE BLM COFF 03 - Movable assets: Incorrect recognition of movable assets

#### Requirements

Public Finance Management Act (PFMA) Section 40 stipulates that: “*the accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice*”.

GRAP 17 Section 07 stipulates that: *The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:*

- (a) *it is probable that future economic benefits or service potential associated with the item will flow to the entity; and*
- (b) *The cost or fair value of the item can be measured reliably.*

GRAP 17 Section 25 stipulates that: *Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.*

#### Nature

During the audit of movable assets, we have noted that following assets were purchased and delivered in the prior year however recognized as additions of assets during the current financial year 2020/21.

No	Assets number	Description	Invoice No.	Invoice date	Invoice Amount
1	P0012980	COMPACTOR MECHANICAL CBR/UCS COMPACTOR	AAA0048	20/03/2020	25 375,00
2	P0012981	COMPACTOR MECHANICAL CBR/UCS COMPACTOR	AAA0048	20/03/2020	25 375,00
Total Amount					50 750,00

#### Impact

This has resulted in an understatement of the opening balance of R 50 750.00  
Non – Compliance with GRAP 17 Section 07 and 25

#### Internal control deficiency

*Financial and performance management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

#### Recommendation

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

The misstatement maybe be material if combined with issues from other regions and extrapolated and therefore, management should consider revisiting the population to identify misstatements of a similar nature in preparation for auditor's adjustments.

### **Management response**

Management is in agreement that the assets were captured in the asset register in the incorrect period. The payment was submitted to the Finance Unit on 24 March 2020 and the payment was validated for payment but was not processed as the financial systems were already "closed" to allow for end of the year processing. Additionally the "hard" lockdown was announced by the President and started from 26 March 2020, affecting the payment process in the department. The payment was only processed in June 2020, due to the before-mentioned delays.

The asset register was updated with the asset value on 10 June as per receipt voucher. No remedial actions against officials is required due to the lockdown situation as a result of COVID19 and the limitations placed on the movement of people to limit or reduce the exposure.

**Action Plan:** The asset and logistics unit will validate all assets received in a specific month in the last week of the month to ensure that assets are received on LOGIS in the correct accounting period. This will be monitored through the monthly reconciliations performed by the assets unit and submitted to Head Office.

### **Auditor's conclusion**

Auditors acknowledges management's responses and audit the finding will be included on the management report.

## Retention liabilities

### PMTE MMB COAF 7- response understatement of retention liabilities

#### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

#### **THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING- Faithful representation**

- 3.15 *To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance — which is not necessarily always the same as its legal form.*

#### **Nature**

Retentions liability is based on the progress certificate and the certificate does not include VAT. As such, based on the VAT Act there is no legal requirement to account for VAT because there is no invoice or payment. However, to accurately and completely account for the liabilities, management should include the VAT portion because ultimately when the liability is discharged, the amount will be inclusive of the VAT portion if a service provider is registered for VAT. Presenting the retentions liability inclusive of VAT will afford the users of the financial statements the opportunity to make decisions based on equitable information because including the VAT portion depicts the economic reality which is the fact that the settlement of the liability will be inclusive of the vat portion.

Based on the selected sample, we identified that the following retention balance was presented in the AFS exclusive of VAT and therefore, understating retentions liability.

No	WCS no.	Supplier name	Project description	Retention amount per schedule	Auditors recalculation	Differences
1.	037481	Sebushi Somo Chuene Matlala JV	Repair and the upgrading of the entire center.	R7 733 114,25	R8 893 081,39	R1 159 967,14

## **Impact**

This will result in an internal control deficiency. The retention liability is understated by an amount of R 115 9967.

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## **Recommendation**

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

Management should revisit the population and identify service providers that are registered for VAT and adjust their balances with the applicable VAT portion i.e. 14% if the service was rendered pre- 01 April 2018 or 15% for both the current and comparable figures.

## **Management response:**

### **I am not in an agreement with the finding for the following reasons:**

The retention is calculated from the indication of bidder which is ticked on DPW 07 EC which retention will be applicable. The bidder chose a 10% payment reduction and how the retention is calculated, there is a maximum retention on the contract amount, whereby with each payment the retention is calculated of value of work monthly.

The form PRM034 version 18 is a standard form for all Regions and with the finding of VAT to be included must be cleared by Head Office finance.

The PRM 034 is clear and POE was submitted to AG.

## **Auditor's conclusion**

Management response is noted. However since the Vat was not taken into account when calculating retention liability, the finding will remain and reported on the management report.

## PMTE CTN COAF 12 - Retention Liability

### Requirements:

*Section 38(1)(a)(i) of the Public Finance Management Act states that “The accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.”*

The Public Finance Management Act (PFMA) section 40(1)(b) states that *“The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

*Standards of Generally Recognised Accounting Practice (GRAP) 1 paragraph 17 states that “Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*

The Joint Building Contracts Committee (JBCC) principal building agreements paragraph 14.7 state that:

*“14.7 Should the contractor fail to provide the security [14.1] the employer, in his sole discretion, may either:*

*14.7.1. Hand over the site to the contractor and withhold payment from the contractor until the amount withheld is equal to ten per cent (10%) of the contract sum. Such amount shall be reduced to two per cent (2%) of the contract sum on the achievement of practical completion [24.0] and to zero per cent (0%) in the final payment certificate [34.8].*

*14.7.2 Terminate this agreement [36.1.1]”*

THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING-  
Faithful representation

3.15 *To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance — which is not necessarily always the same as its legal form.*

### Nature

During the audit of retention liabilities in the Cape Town regional office, we noted the following differences between the retention liability balance as per the schedule and the recalculated retention liability: -

WCS no.	Retention liability as per schedules	Recalculated amount incl VAT	Difference
44232	Certificate number: 48  Valuation date: 26 February 2021  Gross amount certified: R97 396 494,01  Retention incl VAT = R7 099 810,27	Certificate number: 49  Valuation date: 30 March 2021  Gross amount certified: R98 332 412,3  Retention incl VAT = R7 207 440,87	(107 630,60)

		<b>Note:</b> Project is in phases and certain phases reached practical completion on 21 January 2021 and therefore retention % was reduced. A detailed calculation of retention from the QS was provided.	
--	--	---	--

### **Impact**

This results in understatement of Retention liabilities by R107 630,60.

### **Internal control deficiency**

*Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

### **This is due to**

- Management did not adequately review the retentions schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.
- The retention as per the schedule was based on the progress certificate 48 dated 26 February 2021 instead of certificate 49 dated 30 March 2021 which represent the correct amount of the liability as year-end.

### **Recommendation**

- Management review the retentions schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.
- Management should provide evidence to prove that certain phases of the projects were completed and how this affected the calculation of retention.

### **Management response**

Management agrees that the Retention liabilities is understated by R107 630.60.

### **Auditor's conclusion**

Management agrees with the finding. Therefore the finding will be evaluated and reported accordingly.

## Accruals

### PMTE PLK COFF 04: Understatement of accruals

#### Requirements

Public Finance Management Act (PFMA) Section 40 stipulates that: “*the accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice*”.

Paragraph 18(a) and (b) of GRAP 19 states that “*Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier and include payments in respect of social benefits where formal agreements for specified amounts exist and accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees (for example, amounts relating to accrued vacation pay) Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.*”

#### Nature

During the audit of Accruals for accuracy testing, we have identified a transaction where as per the consumer ageing account the department utilized municipal services from December 2020 until February 2021. The ageing account was received on 03 March 2021 and payment was made on 08 March 2021.

The department estimated the accrual from January 2021 until March 2021 instead of March 2021 only as January and February were already paid for thus overstating accruals.

Refer to the table below for details:

No	Supplier Name	Invoice number	Description of goods	Date of receipt of good or invoice	Invoice amount	Recalculated accrual amount	Amount per schedule	Difference
1	Polokwane Municipality	973310	Electricity	2021/03/03	R233 504,02	R79 545,33	R544 842,71	(R465 297,39)

This has resulted in an overstatement of accruals by R465 297,39 calculated as follows:

*Days the amount was paid for (1 December 2020 - 28 February 2021) = 91*

*Days in the current year we are estimating accrual for (1 March 2021 - 31 March 2021) = 31*

*Accrual amount (R233 504,02/91 \* 31) = R79 545,33*

#### Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Accruals overstated by R465 297,39

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information due to the accrual overstated in the accrual listing

### **Recommendation**

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

### **Management response:**

Management agrees with the finding, it was an oversight with regards to the start and end date affecting the accrual period.

### **Auditor's conclusion**

Management's response is noted, therefore the finding will remain.

## **PMTE CTN COFF 09 - Misstatements on Accruals**

### **Requirements**

Public Finance Management Act section 40(1)(a) stipulates that “*the accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Public Finance Management Act paragraph 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice*”

Furthermore, Section 41 of PMFA states that “*An accounting officer of a trading entity must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Public Finance Management Act (PFMA) section 38(1)(f) state that: “*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.*”

Treasury Regulation 8.2.3 requires that: “*Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment.*”

GRAP 19, paragraph 17 states that “*A provision is a liability of uncertain timing or amount.*”

GRAP 19, Paragraph 18 states that “*Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:*

(a) *payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and*

(b) *accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.*

### **Nature:**

#### **Issue 1: Transactions incorrectly classified as accruals while payments were made before year end:**

During the audit of Accruals in the Cape Town regional audit, we noted that the transactions listed in the table below were classified as Accruals however the invoices were payment before year end and therefore there was no liability at year-end:

Supplier Name	Amount	Invoice Date	Date of payment	Payment number
Gsiv Systems	559 084,00	02-Mar-21	15-Mar-21	932087

Gsiv Systems	383 640,00	04-Feb-21	08-Mar-21	929295
<b>Total</b>	<b>942 724,00</b>			

**Issue 2: Differences between Accrual amount per schedule and recalculated invoice amount:**

During the audit of Accruals in the Cape Town region we noted the following differences between the amounts per the schedule and the amounts per invoices:

Supplier Name	WCS Number	Amount per schedule	Invoice date	Recalculated invoice inclusive of VAT	Difference
AFMS	WCS 46547	2 979 122,15	05-Feb-21	3 005 254,80	(26 132,65)
Andy's Boiler	AB2074	414 000,00	15-Mar-21	4 140,00	409 860,00
HOOGSTRAAT 67 EIENDOMS TRUST	INA10817	3 708 882,24	25-May-20	123 629,41	3 585 252,83
		<b>7 102 004,39</b>		<b>3 133 024,20</b>	<b>3 968 980,19</b>

**Issue 3: Transactions incorrectly classified as accruals instead of Provision the amount was based on an estimate:**

During the audit of Accruals in the Cape Town regional audit, we noted that the transactions listed in the table below were classified as Accruals however the amounts were based on estimates and therefore should be classified as provisions since there is an uncertainty relating to the amount at year end:

Supplier Name	Amount	WCS number	Nature of supporting documents
EBESA ARCHITECTS (PTY) LTD	2 903 458,68	WCS 54527	Estimate
JAKOET & ASSOCIATES CC	9 996 489,41	Estimate AG007	Estimate
<b>Total</b>	<b>12 899 948,09</b>		

**Issue 4: Transactions incorrectly classified as accruals instead of Payable as invoices were received before year end:**

During the audit of Accruals in the Cape Town regional audit, we noted that the transactions listed in the table below were classified as Accruals however the invoices were received before year end and therefore should have been captured in the accounting system and recorded as Trade Payables at yearend:

Supplier Name	Amount	Invoice Date	Invoice receipt Date	Date of payment	Payment number
Andy's Boiler	414 000,00	15-Mar-21	15-Mar-21	22-Apr-21	942263
AFMS	2 979 122,15	05-Feb-21	10-Feb-21	25-May-21	283799
BIDVEST Facilities Management	2 872 378,07	18-Mar-21	25-Mar-21	07-Apr-21	283389
<b>Total</b>	<b>6 265 500,22</b>				

**Impact of the finding**

**The above results in the following**

- Issue 1: Overstatement of Accruals by R942 724,00

- Issue 2: Overstatement of Accruals by R3 968 980,19
- Issue 3: Overstatement of Accruals by R12 899 948,09 and Understatement of Provisions by R12 899 948,09
- Issue 4: Overstatement of Accruals by R6 265 500,22 and Understatement of Payables by R6 265 500,22

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not implement controls over daily and monthly processing and reconciling of transactions.

#### **This is due to**

- Insufficient review of the supporting evidence to ensure that the amounts recorded in the listings are accurate.
- Incorrect interpretation of the GRAP requirements relating to classification of Payables, Accruals and Provisions.
- Management did not adequately review the accruals listings against the supporting evidence to ensure that the amounts included in the listing are accurate and are supported by reliable evidence.

### **Recommendation**

- Management should ensure that sufficient reviews are performed on the invoices to ensure that the amounts recorded in the listings are accurate.
- Training on application of GRAP standards should be provided to employees responsible for recording and processing of transactions to ensure correct application of GRAP standards.
- Management review the accrual listings against the supporting evidence to ensure that the amounts included in the listings are accurate and are supported by reliable evidence.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response:**

#### **Issue 1**

Management is in agreement with the audit finding.

This was an oversight, these amounts should not have been disclosed as Accruals. It is always ensured that all transaction entries on the workbook are thoroughly scrutinized with their supporting documents before they are submitted. In future more stringent review controls will be implemented to ensure accuracy of the disclosed amounts.

#### **Issue 2**

Management is partially in agreement with the finding:

Management agrees with these two findings:

Supplier Name	WCS Number	Amount per schedule	Invoice date	Recalculated invoice inclusive of VAT	Difference
AFMS	WCS 46547	2 979 122,15	05-Feb-21	3 005 254,80	(26 132,65)
Andy's Boiler	AB2074	414 000,00	15-Mar-21	4 140,00	409 860,00

Management does not agree with this finding as management is unable to find the accrual of R3 708 882,24 accrual to Hoogstraat 67 Eiendoms Trust on either the WCS Accrual workbook (P1000) or the Day to Day Accruals workbook (P300).

Supplier Name	WCS Number	Amount per schedule	Invoice date	Recalculated invoice inclusive of VAT	Difference
HOOGSTRAAT 67 EIENDOMS TRUST	INA10817	3 708 882,24	25-May-20	123 629,41	3 585 252,83

### Issue 3

Management is not in agreement with the audit finding.

A Provision is defined as a liability of uncertain timing or amount. There is a lot of emphasis on uncertainty factor. The term “estimate” used within the PMTE environment does not however indicate *uncertainty* with respect to the amount, the term is used in lieu of the fact that we do not have a tax invoice on hand.

The calculation was accurately determined by the Contractor/ Consultant and verified by both the Principal Agent and the project managers. Due to the audit qualifications of WCS Accruals up to 2017, the terminology of “estimate” was coined when the Finance and CPM branches brainstormed a methodology to ensure completeness of Accruals and was subsequently codified in documents and daily language. However, management would like to clearly state that no correlation must be drawn between the dictionary definition of estimate and the term used within the PMTE environment for AFS purposes. In the context of PMTE, the rand value was reliably measured and verified. It became the name given to the supporting document used for accruals in lieu of a tax invoice.

### Issue 4

Management is not in agreement with the audit finding.

In the context of PMTE, the distinction between trade payables and accruals is not material and not likely to influence the decisions of the users of financial statements, nor does it affect key financial statement ratios. Accounts payable is a specific type of accrual.

In terms of para 6 of GRAP 1, each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.

Accruals and payables are all included under a line item, “Payables from exchange transactions”. Note 1.10 to AFS reads, “The PMTE recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date as well as outstanding invoices”. The key factor for accruals/payables has always been whether or not the goods/services have been received before period end. This classification has been applied consistently since the inception of PMTE. Attempting to

separate, the two line items would be impracticable without undue cost or effort, with no real benefit in terms of fair presentation.

In terms of para 49 of GRAP 1, “if the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified, unless the reclassification is impracticable”.

The benefit/expected improvement in the fair presentation and quality of the information provided to users of our financial does not justify the cost or effort to separate accruals from payables.

### **Auditor's conclusion**

Management responses noted.

#### **Issue 1**

Management agrees with the finding and therefore the finding will be evaluated and reported accordingly.

#### **Issue 2**

Management agrees with the finding 1 and 2. Therefore, the finding will be evaluated and reported accordingly.

The transaction relate to Accruals for Municipal services as requested in RFI 28 and submitted in hard copy. Management's inability to locate the supporting documents cannot be used as a base to disagree with the finding. Therefore, the finding remains valid and will be evaluated and reported accordingly.

#### **Issue 3**

Management response noted. Finding is therefore resolved.

#### **Issue 4**

Management response noted. Even though accruals are presented as part of “Payables from exchange transactions” on the face of the statement of financial position, a distinction is made between Trade payables and Accrued expenses on the notes to the financial statements under Note 12. It is this basis that transactions should be recorded and classified correctly between Trade Payables and Accrued expenses to ensure the amounts disclosed in the notes to the financial statements are a true reflection of the events and conditions that occurred throughout the financial year. The amounts presented in the notes to the financial statements can still influence the decision of the users of the financial statements. Therefore, the finding is therefore valid and will be evaluated and reported accordingly.

## **PMTE DBN COFF 06 – Misclassification between Accruals and Payable**

### **Requirement**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

### **Nature**

#### **Durban region**

During the audit of accruals it was noted that PMTE did not properly differentiate between an accrual and a trade payable thus causing a misclassification issue between payables from exchange transactions. The transactions as listed below, relates to invoices that were received prior to 31 March 2021 for services rendered in the 2020/2021. These transactions should have thus been accounted for as trade payables not as accruals in the annual financial statements as at 31 March 2021.

#### **1. Accruals - Other**

No	Region	Service Provider	Invoice amount	Invoice Number	Date when goods and service received (job cards)	Payment Date	Date of receipt of invoice
1	Durban	Konica Minolta SA	3 461,74	0905175021	2021/03/23	2021/04/08	2021/03/23
2	Durban	Konica Minolta SA	4 882,46	0905175028	2021/03/23	2021/04/08	2021/03/23
3	Durban	Konica Minolta SA	3 923,79	0905175025	2021/03/23	2021/04/08	2021/03/23
4	Durban	Konica Minolta SA	7 955,92	0905175036	2021/03/23	2021/04/08	2021/03/23

#### **1. Accruals - Municipal Services**

No.	Region	Supplier Name	Invoice number	Date of receipt of invoice	Invoice amount	Date when goods and service received (municipal account)	Date of payment	PMTE number: advice number /Fano/ property code
1	Durban	Eskom Holdings Soc Limited	704608566084	2021/02/26	447 012,67	2021/01/20	2021/04/16	929816

#### **2. Accruals – Day to Day Maintenance**

No	Region	Supplier Name	Payment number (Where applicable)	Accrual Amount per accrual Schedule	Supplier name	Description of goods & services	Date	Date when goods and service received (municipal account)/job card	Date of payment (Where applicable)
1	Durban	Uzenzele	940264	486 125,00	Uzenzele Trading (Pty) Ltd	SANDF-Mtubatuba Military Base. Clearing, Cleaningg of 2xMaturation Pond,Remove Effulent,Settled Sludge and Unblocking of Sewer Lines	2021/03/26	2021/03/29	2021/04/06

## **Impact**

- Misclassification between accruals and trade payables. The line item accruals will be overstated and trade payables will be understated within the note.

## **Internal control deficiency**

### *Financial and Performance Management*

- Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
- Management did not implement proper review measures to ensure that the information is appropriately classified and accounted for in the annual financial statements submitted for audit.

## **Recommendation**

Management should:

- Ensure that regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is provided
- Ensure that they implement proper review measures to ensure that the information is appropriately classified and accounted for in the annual financial statements submitted for audit.

## **Management response**

Management is not in agreement with the finding for the following reasons:

In the context of PMTE, the distinction between trade payables and accruals is not material and not likely to influence the decisions of the users of financial statements, nor does it affect key financial statement ratios. Accounts payable is a specific type of accrual.

In terms of para 6 of GRAP 1, each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.

Accruals and payables are all included under a line item, "Payables from exchange transactions". Note 1.10 to AFS reads, "The PMTE recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date as well as outstanding invoices". The key factor for accruals/payables has always been whether or not the goods/services have been received before period end. This classification has been applied consistently since the inception of PMTE. Attempting to separate, the two line items would be impracticable without undue cost or effort, with no real benefit in terms of fair presentation.

In terms of para 49 of GRAP 1, "if the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified, unless the reclassification is impracticable". The benefit/expected improvement in the fair presentation and quality of the information provided to users of our financial does not justify the cost or effort to separate accruals from payables.

## **Auditor's conclusion**

Management response is noted. However, there is difference between the accrual and payable which is whether the entity have received the invoice or a formal request for payment at year-end or not. For payable, that is where the entity have received the invoice but have not paid at the end of the financial year. Whereas the accrual the invoice have not been received at year-end.

Given the fact that payable and accrual are under one note in the annual financial statement, thus note 12 - payables from exchange transactions is not misstated as a whole but within line item, therefore finding remains.

## **PMTE BLM COFF 07- Overstatement of day-to-day maintenance accruals**

### **Requirements**

Public Finance Management Act (PFMA) Section 40 stipulates that: “*the accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice*”.

Paragraph 18(a) and (b) of GRAP 19 states that “*Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier and include payments in respect of social benefits where formal agreements for specified amounts exist and accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees (for example, amounts relating to accrued vacation pay) Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.*”

### **Nature**

#### **Bloemfontein**

#### **Accruals day-to-day maintenance**

We identified the below invoice whereby the service was rendered before the financial year end 31 March 2021 and the payment was made before year end. *Refer to the table below for details;* however the transaction was incorrectly accounted as an accrual in the year 2020/21.

No	Region	Supplier Name	Date when goods and service received	Date of payment (Where applicable)	Accrual Amount per accrual Schedule	overstatement
1	Bloemfontein	BNM Civil Construction	2021/02/28	2021/03/25	R461 270,09	<u>R461 270,09</u>

### **Impact**

Overstatement of **accruals day-to-day maintenance** accruals by R461 270, 09

### **Internal control deficiency**

### **Financial and performance management**

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information due to the other accrual not being included on the accrual listing.

### **Recommendation**

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

The misstatement maybe be material if combined with issues from other regions and extrapolated and therefore, management should consider revisiting the population to identify misstatements of a

similar nature in preparation for audit adjustments and submit proposed adjustments within the timelines agreed upon in the terms of engagement for concurrence.

### **Management response**

This office does not agree with the finding raised by the AGSA, as this is a multi-month contract for the operations related to the water treatment plant, sewer plant and cleaning services at the Maseru Border post. Thus the same amount, being R 461270.09 will be paid per month for the services rendered. Please refer to attached SAGE report dated 14 July 2021 confirming this status.

The AGSA should further note that each invoice is registered on Reapatala as per circular of this department and each single invoice can thus be identified by a specific reference no, additional to the invoice number supplied by the service provider. In this case the unique reference number allocated to the invoice for the service rendered for the period 1 to 31 March 2021 was BLM2104-709, and was received on 20 April 2021. It would thus be humanly impossible to process a payment on 25 March 2021 as claimed by the AGSA. The actual payment date for this period was 17 May 2021.

The payment the AGSA is referring to in the above-mentioned coff, is actually for the service period 1 to 28 February 2021, registered on Reapatala with reference BLM2103-1209 and was paid on 25 March as stated above.

### **Auditor's conclusion**

Managements responses has been acknowledged and auditors has performed further processes based on supporting documents (SAGE REPORTS) provided by management, as a result of that we are on agreement with management and the audit issue has been resolved..

Management response noted however the finding relates to the transaction that occurred on 28 February 2021 and got paid on 25 March 2021. Please refer to P114 of the accruals schedule, the transaction should have been included in the accruals schedule because there was no liability as at year end. The matter remains unresolved.

The transaction that occurred on 31 March 2021 was also selected and tested, refer to P115 of the accruals scheduled, there was no issue of misstatement identified with regards to this transaction, and however this transaction has no bearing on the misstatement communicated.

SCM/Facilities to complete							
General Information				Accrual Information			
Order Nr	Date completed as per supporting documentation (yyyy/mm/dd)	Supporting documentation proving completion	Name of Service Provider	Final Value	Source document that accrual is based on	Classification	Reference to supporting documents
Emergency	2021/02/28	Job Card	BNM Civil Cnstruction CC	461 270,09	Invoice	Accrual	A921
Emergency	2021/03/31	Job Card	BNM Civil Cnstruction CC	461 270,09	Invoice	Accrual	A922

## **PMTE MMB COFF 12 - Accruals Other - Overstatement of Accruals – Other Accruals (limitation of scope)**

### **Requirements**

*Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...”*

*Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...”*

*Generally Recognised Accounting Practice (GRAP) 19 paragraph 17 states that “Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...”*

*GRAP 19 paragraph 18 states that “Provisions can be distinguished from other liabilities such as payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:*

*(a) payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and*

*(b) accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.*

*Accruals are often reported as part of accounts payable, whereas provisions are reported separately...”*

### **Nature**

#### **Mmabatho region**

During the audit of accruals noted that there is no proof that the services were received before year end as only unstamped invoices were received for audit also it is not clear when these invoices were received by the entity, therefore we were limited to confirm whether the below transactions should be included as part of accruals or not at year end. It was further noted that there were differences between the invoices received and amounts disclosed as per accrual schedule

Supplier	Invoice No	Invoice date	Amount per invoice	Amount per accrual schedule	Differences	Date of receipt of invoice	Date when goods and service received (job cards)
Makgobistad Security	NPW 008	2021/02/28	R78 650	R109 310,17	R30 660,17	No proof when the invoice was received	No proof that goods were received
Kakapi Mushi Trading	KAK07	2021/02/02	R76 532.5	R76 532.50	R0,00	No proof when the invoice was received	No proof that goods were received

## **Impact**

The impact of the finding is a limitation of scope

## **Internal control deficiency**

### *Financial and performance management*

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

## **Recommendation**

It is recommended that all information requested be provided to the AGSA within three days from the date of request as agreed with management.

Officials within the entity are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe

## **Management response:**

Management agrees with the finding.

## **Auditor's conclusion**

Management response noted, this will be included in the MR as overstatement of accruals by an amount of R185 854.67

## **PMTE PLK COFF 05 - Understatement of WCS accruals WCS Accruals**

### **Requirement**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Generally Recognized Accounting Practice 19 paragraph 17 states that “*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...*”

Generally Recognized Accounting Practice 19 paragraph 18 (b) states that: “*Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...*”

Property Management Trading Entity Payables Management Systems 6.9.2 states “*The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

#### **6.9 Apportionment of accruals**

**6.9.4 The process to be followed to accurately apportion accruals includes:**

- Obtain all the supporting documentation relating to the particular payment; and
- Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...”

### **Nature**

#### **Polokwane region**

During the audit of WCS accruals, services relating to the transaction as per the table below were identified to have been received from 15 March 2021 to 19 April 2021. Management was supposed to apportion the payment certificate in order to realise an accrual for services that were received prior to year-end. However, the transaction was not accrued for in the current financial year, thus not included in the WCS. Consequently, WCS accrued expenses that have been recorded are not complete.

#### **WCS accruals**

<b>WCS #</b>	<b>Supplier</b>	<b>Invoice Date</b>	<b>Date of valuation</b>	<b>Amount R</b>
WCS049330	Phetlakgo JV	2021/5/19	2021/04/19	261 452.00
<b>Total</b>				<b>261 452.00</b>

## **Impact of the finding**

### **The above will result in the following:**

- Understatement of payables from exchange transactions - WCS accrued expenses by an amount of R261 452.00
- Understatement of expenditure by an amount of R261 452.00

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## **Recommendation**

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

## **Management response**

Management agrees with the finding

## **Auditor's conclusion**

Management's response is noted. Finding will remain and assessed together with other misstatements relating WCS accruals.

## **PMTE NLS COAF 03 - Understatement of day to day maintenance accruals completeness**

### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognized Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

### **Nature**

During the audit of Accruals – Day to day Maintenance completeness at Nelspruit Regional office, we have identified transactions where the service was rendered during the financial year-end as at 29/03/2021 and the payment was made before the year end as at 30/03/2021, transaction was cleared on SAGE as at 06/05/2021, however the amount was not included on the accrual listing as at 31 March 2021. Refer to table below

No	Service Provider	Description of goods/service	Date when goods and service received (job cards)	Payment Date per SAGE clearance	Invoice amount
1	Awandegoje Investment	Repair Sewer pumps	2021/03/29	2021/05/06	R87 700,00 <b><u>R 87 700.00</u></b>

### **Impact of the finding**

This has resulted in followings:

- Understatement of accruals by R 87 700.00
- Non - compliance with Public Finance Management Act (PFMA) section 40(1)(a)(i)

### **Internal control deficiency**

#### ***Financial and performance management***

Management did not implement controls over daily and monthly processing and reconciling of transactions

Management did not perform a reconciliation in order to ensure that all transactions are recorded accurately and there are no duplicates in the accruals listing.

## **Recommendation**

It is recommended that management must enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

## **Management response:**

Management is in agreement with the audit for the following reasons: The amount was erroneously not included in the accrual listing. This will be reviewed by office and corrected accordingly.

## **Auditor's conclusion**

Auditors acknowledge management's responses and the misstatement will be assessed including other audit issues for materiality and be reported accordingly.

## **Requirement**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Generally Recognized Accounting Practice 19 paragraph 17 states that “*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...*”

Generally Recognized Accounting Practice 19 paragraph 18 (b) states that: “*Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...*”

Property Management Trading Entity Payables Management Systems 6.9.2 states “*The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

### **6.9 Apportionment of accruals**

**6.9.4 The process to be followed to accurately apportion accruals includes:**

- Obtain all the supporting documentation relating to the particular payment; and
- Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...”

## Nature

### Johannesburg region

During the audit of WCS accruals and Day to Day accruals, services relating to the transaction as per the table below were identified to have been received prior to year-end. However, these were not accrued for in the current financial year, thus not included in the WCS and Day to Day accrual listing. Consequently, WCS and Day to Day accrued expenses that have been recorded are not complete.

### WCS accruals

WCS #	Supplier	Invoice Date	Date of valuation	Amount R
WCS053935	Zidlaphi Kgomo & Associates	2021/04/14	2021/04/01	498 513.32
WCS054989	Ngaatendwe Trading	2021/05/13	2020/10/22	572 098.27
<b>Total</b>				<b>1 070 611.59</b>

### Day to Day Accruals

Payment Number	Batch	Supplier	Invoice date	Date when services were received	Amount R
8924		Blessed Engineer	2021/02/06	2021/03/23	74 954.09
8128		Electrim Control system	2021/04/26	2021/02/24	20 442.37
8918		Blessed Engineer	2021/02/05	2021/03/12	69 935.41
8153		Ngaatendwe Trading	2021/04/29	2021/02/02	1150.00
7236		Pest King	2021/02/15	2020/05/14	4657.50
7743		Siyaphambili	2021/03/15	2021/01/21	156 298.06
<b>Total</b>					<b>327 437.43</b>

## Impact of the finding

### The above may result in the following:

- Understatement of payables from exchange transactions - WCS accrued expenses by an amount of R1 070 611.59
- Understatement of payables from exchange transactions – Day to Day accrued expenses by an amount of R327 437.43
- Understatement of expenditure by an amount of R1 398 049.02

## Internal control deficiency

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## Recommendation

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

## Management response

### WCS Accruals

Management is in agreement with the finding of understatement of accruals for the following reasons:

As for Zidlaphi Kgomo & Associates, WCS 053935, the date of valuation of works, as per the **Payment Certificate number 13** was on **01 April 2021**, with the payment amount of R1 666 711,08 having been invoiced to DPWI. Secondly, the date of valuation of works, as per the previous Payment **Certificate number 12**, was on **08 March 2021**. Therefore, the period of the invoice for payment Certificate number 13 is **24 days** from **09 March 2021 to 01 April 2021**.

So, the pro-rata Accruals for 23 days from 09 march 2021 to 31 March 2021 amounts to **R1 592 473,36**, calculated as follows: **R1 661 711 08 x 23/24 days**.

As such, the accrual amount was understated by R429 275,36, calculated as follows:

$$(\text{R1 592 472,12} - \text{R1 163 197,76}) = \text{R429 275.36}$$

Management is in agreement with the finding of understatement of accruals for the following reasons:

This is as a result of oversight as the incorrect start and end date of service rendered was captured.

Incorrect start and end date

Start Date	End date	Amount should have been accrued
18-March-2021	06-April-2021	R1 163 197.76

Correct start and end date

Start Date	End date	Amount should have been accrued
09-March-2021	01-April-2021	R1 592 472,12

$$\text{Understatement of Accruals: } (\text{R1 592 472,12} - \text{R1 163 197,76}) = \text{R429 275.36}$$

Management is in agreement with the finding of understatement of accruals for the following reasons:

Regarding Ngaatendwe Trading's invoice which was also omitted from the Accruals Schedule as at 31 March 2021, the Contractor was initially requested to indicate as to whether it had any accruals as at 31 March 2021, but it replied not to have had one. It was only after we had already compiled the Accruals Report as at 31 March 2021 that the Contractor submitted the invoice for payment, which was then paid-hence the omission of same.

### **Day to Day Accruals**

Management is in agreement with the finding of understatement of accruals for the following reasons:

SCM unit submitted accruals report on time to Head Office, so as to meet the submission deadline.

1. These accruals transactions are voluminous and are tedious to compile. They are manually compiled and pass through many hands before they are sent to Finance for consolidation, verification and certified for accuracy and completeness.
2. Ideally, these accruals were supposed to be extracted from the fully updated Worx4U and Archibus Systems. Seeing that, for Johannesburg Regional Office, Archibus System was implicated in November 2021, just one (01) year after the other Regional Offices had already started using Archibus System, and there was no effective system to be relied on when compiling the D2D accruals. It also took time for the officials to be trained on how to operate the Archibus system, the training of which dragged into the time of compiling the accruals in question.

3. Some of the supporting documentation, such as the job cards were submitted to the Office way after we had already compiled the accruals-hence their omission from the accruals schedule.
4. There was also some challenges as a result of the staff constraints due to the 1/3 Rotation Plan due to the COVID-19 pandemic, which made it difficult for officials to compile those accruals within a short space of time.
5. Lastly, these are isolated cases and the omitted amount of R327 437.43 is insignificant in relation to the reported total accruals amount.

### **Day-to-Day Accruals**

Management is in agreement with the finding of understatement of accruals for the following reasons:

Officials and Management at Finance Directorate were to review and certify the Accruals information as submitted by the Line Function officials. All such voluminous information was to be verified and certified within a short space of time.

### **Auditor's conclusion**

### **WCS Accruals**

Management's response is noted as well as the difference with the calculation of Zidlaphi Kgomo shall be taken into account.

WCS #	Supplier	Invoice Date	Date of Valuation	Amount R
WCS053935	Zidlaphi Kgomo & Associates	2021/04/14	2021/04/01	429 275.36
WCS054989	Ngaatendwe Trading	2021/05/13	2020/10/22	572 098.27
<b>Total</b>				<b>1 001 373.63</b>

### **Day to day Accruals**

Management's response is noted, therefore the finding shall remain.

Payment Batch Number	Supplier	Invoice date	Date when services were received	Amount R
8924	Blessed Engineer	2021/02/06	2021/03/23	74 954.09
8128	Electrim Control system	2021/04/26	2021/02/24	20 442.37
8918	Blessed Engineer	2021/02/05	2021/03/12	69 935.41
8153	Ngaatendwe Trading	2021/04/29	2021/02/02	1150.00
7236	Pest King	2021/02/15	2020/05/14	4657.50
7743	Siyaphambili	2021/03/15	2021/01/21	156 298.06
<b>Total</b>				<b>327 437.43</b>

### **Therefore the Impact of the finding shall be as follows:**

- Understatement of payables from exchange transactions - WCS accrued expenses by an amount of R1 001 373.63
- Understatement of payables from exchange transactions – Day to Day accrued expenses by an amount of R327 437.43
- Understatement of expenditure by an amount of R1 328 811,06

## **PMTE DBN COFF 04 - Incomplete disclosure of property rates accruals on the AFS**

### **Requirement**

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Paragraph 17 of the Generally Recognized Accounting Practice (GRAP) 19 states that; “*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...*”

Paragraph 18 (b) of the Generally Recognized Accounting Practice (GRAP) 19 states that; “*Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...*”

### **Nature**

#### **Durban region**

During the audit of Accruals: Property rates, we noted transactions relating to property rates were the invoices were received after year end but the accrual was not included on the property rates accrual schedule as at 31 March 2021. Furthermore, we have traced the properties to the immovable assets register (IAR) and confirmed that the properties were included in IAR and they belong to PMTE. The list of accruals not disclosed in the schedule is as follows:

	<b>Supplier Name</b>	<b>Payment batch no</b>	<b>Invoice Number</b>	<b>Invoice date received</b>	<b>Invoice amount</b>
1	Dr Nkosazana Dlamini-Zuma Municipality	24013	238475	2021/04/16	20 916
2	Dr Nkosazana Dlamini-Zuma Municipality	23989	6460	2021/04/16	147 168
3	eDumbe Local Municipality	24133	INV500135231-MAR-21	2021/05/07	4 887
4	eThekwini Municipality	24121	8338464342920/07/01	2021/05/14	586 868
<b>TOTALS</b>					<b>759 839</b>

### **Impact**

- This will result in an understatement of property rates accruals by R 759 839.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not ensure that all accruals relating to property rates have been captured on the schedules and disclosed in the annual financial statement.

### **Recommendation**

Management should ensure that regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information is provided.

Management should revisit their population to determine if they are any property rate invoices that have were not captured on the property rates accrual schedule. All property rates were invoices were received after year end but relates to the property that has been included on the IAR as at 31 March 2021 should be raised as accruals.

**Management response:**

I am not in agreement with the finding for the following reasons:

The properties were rated for the first time by the municipalities. The invoices were received for the first time after year end. Upon receipt of invoices, the properties had to be verified to confirm that the properties belong to the department and that that they are rateable. All these processes happened after year end.

I agree that the event constitutes a post balance sheet event which should be adjusted for. An adjustment for a post balance sheet event will therefore be made in our financial statements.

**Auditor's conclusion**

Management response is noted. The finding remains until such adjustment are made in the population.

## Requirements

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Paragraph 17 of the Generally Recognized Accounting Practice (GRAP) 19 states that; “*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...*”

Paragraph 18 (b) of the Generally Recognized Accounting Practice (GRAP) 19 states that; “*Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...*”

Property Management Trading Entity Payables Management Systems 6.9.2 states “*The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

### 6.9 Apportionment of accruals

6.9.4 *The process to be followed to accurately apportion accruals includes:*

- *Obtain all the supporting documentation relating to the particular payment; and*
- *Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...*

## Nature

During the performance of our audit, we noted that the following transaction for accruals was not accounted for using the available latest progress payment certificate to determine a reliable estimate of the value of work received from the supplier as at 31 March 2021. Therefore, the following differences were identified:

WCS Number	Supplier Name	Amount of liability as per accrual listing (R.)	Recalculated estimated accrual amount (R.)	Difference (R.)
55045	NGAATENDWE	865 499	2 904 306	1 750 307

## Impact of finding

The aforementioned finding results in the following:

- Understatement of accruals by R1 750 307

## Internal control deficiency

*Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not keep track of the latest progress payment certificate which were issued before the internal cut off date to when calculating the accruals on the schedule maintenance. This resulted in the entity recognizing incorrect accrual amount on their schedules.

## **Recommendation**

It is recommended that:

- Management estimates should utilise available reliable sources to fairly and reasonably determine the estimate of the value of work received from suppliers.
- Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

## **Management response**

Management disagrees with the finding for the following reasons:

1. There is no understatement relating to accrual for WCS55045 at reporting date, as it was based on an estimate that was determined using cash flow calculations based on the De Leeuw formula which the PM always uses to determine whether the project will be completed on time or delayed due to the type of project it is and issues that occur which are beyond the parties' involved control. Assumptions used to determine the estimate were explained by the PM being that the estimate was determined using the trend analysis of how the actual project was progressing in the midst of Covid19 and closure of project site from time to time, to stage and finalization of work done as per prior periods with the first payment certificate that was received three months later than anticipated. Please see (Annexure A.1) Further please see minutes of site meetings where only payment number one was indicated till year end thus estimate was calculated. Refer to (Annexure A.2)
2. Please see external confirmation being an attached letter and confirmation from the engineer who authorized payment certificate number two which was signed on 20 April 2021 to substantiate when the expenditure occurred. Refer to (Annexure B)

The proof above indicates that the expenditure identified by auditors was pertaining to the new financial year thus not qualifying to be recognized as an accrual as at year end.

## **Auditor's conclusion**

Management's comments are noted.

Property Management Trading Entity Payables Management Systems 6.9.2 states "*The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

### **6.9 Apportionment of accruals**

#### **6.9.4 The process to be followed to *accurately* apportion accruals includes:**

- *Obtain all the supporting documentation relating to the particular payment; and*
- *Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...*"

According to the engineer who authorized payment certificate number two, which was signed on 20 April 2021, the estimate is a true reflection as it was a rough estimate based on the meetings held and assessments performed at the time.

However, the progress payment certificate relating to the payment which has been verified and certified by the engineer on the 20 April 2021 for the value of work done to date on the project since the first progress payment which had been valued on the 17 November 2021 was available to management before the 26 April 2021 deadline to submit to head office for consolidation to accurately accrue for services rendered in the current financial year. Furthermore, no supporting documentation has been provided to verify that "materials arrived on site in April which contributed to the amount of R3 337 765.59"

Therefore, finding remains unresolved.

## PMTE KMB COFF 06 - Accrued expense: Understatement of accruals

### Requirements

Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Paragraph 17 of the Generally Recognized Accounting Practice (GRAP) 19 states that; “*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...*”

Paragraph 18 (b) of the Generally Recognized Accounting Practice (GRAP) states that; “*Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...*”

Property Management Trading Entity Payables Management Systems 6.9.2 states “*The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

### 6.9 Apportionment of accruals

6.9.4 The process to be followed to accurately apportion accruals includes:

- Obtain all the supporting documentation relating to the particular payment; and
- Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...”

### Nature

#### Kimberley region

During the completeness testing of accruals, we noted that the following transactions for which services or goods were received but were not yet invoiced or paid in the current year. Furthermore, these transactions were not included on the accruals schedule.

Supplier Name	Description of item in the payment batch	Invoic e Numbe r	Date when good s and servic e receiv ed	Invoic e date	Invoic e date receiv ed	Invoic e amou nt (R)
Namolo General Trading	Rental Services- Hygiene	NTHT0 124	29/03/ 2021	08/04/ 2021	14/04/ 2021	16 131
Teateaneng Trading (Pty) Ltd	Decontamination, Deep cleaning	AG- 804415 5	22/03/ 2021	22/03/ 2021	14/04/ 2021	48 237
Vhakula Trading & Projects (Pty) Ltd	Rendering of security services from 02 March 2021 to 02 April 2021	VTP#2 40	02/03/ 2021 to 02/04/ 2021	02/04/ 2021	06/04/ 2021	35 921
Namolo General Trading	Rental Services- Hygiene	NTHT0 118	28/01/ 2021	02/04/ 2021	14/04/ 2021	16 131
Vuyani and Monwabisi Investments Holdings	Grade 2 Security Guards	DPW/1 1	04/03/ 2021 to 04/04/ 2021	07/04/ 2021	08/04/ 2021	37 717

			01/03/ 2021 to 01/04/ 2021	12/04/ 2021	14/04/ 2021	
Sputulwana Trading	Security services	PUBLI C 006				33 734
Rilacorp (Pty) Ltd	Rendering of cleaning and hygiene services	RC 053	31/03/ 2021	06/04/ 2021	14/04/ 2021	9 523
Tofi Holdings (Pty) Ltd	Cleaning, waste removal and decontamination	001	31/03/ 2021	31/03/ 2021	14/04/ 2021	60 000
<b>Total</b>						<b>257 3934</b>

### Impact of finding

The above-mentioned finding results in the following:

- Understatement of accruals and payables from exchange transactions by R257 393

### Internal control deficiency

#### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

### Recommendation

It is recommended that:

- Management should ensure schedules supporting the Annual Financial Statements are complete and accurate.
- Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

### Management response

Management disagrees with the finding for the following reasons:

- During the month of March the regional office experienced duplicate payments with some of their suppliers when February invoices were being paid in March, thus at year end these duplicate payments were taken into account when compiling AFS. No accruals were raised as payment had already been made as at year end for March services.
- As there were credit balances at these suppliers due to the duplicate payments, these invoices would be set off against the credits and accordingly there was no accrual to be reported. As at year end these transactions did not meet the definition of accruals as per GRAP paragraph 18 (b).
- The duplicates payments were identified and communicated with suppliers as to what happened at year end with regards to duplicate payments made by the system. Where no proof of payment was received from the suppliers at reporting date to indicate that the money was paid back an accrual was not raised as they had received duplicate payment as at end of March. Refer to the statement of account as at year end from suppliers (Annexure A to G)

### Auditor's conclusion

According to management's comments, "During the month of March the regional office experienced duplicate payments with some of their suppliers when February invoices were being paid in March,

thus at year end these duplicate payments were taken into account when compiling AFS. No accruals were raised as payment had already been made as at year end for March services”

However, according to the payment batches and the SAGE payment reports related to the March 2021 invoices for services and/ or goods that were received in the current financial year, payments were made in April 2021 or May 2021 for the related services that were received.

Although, duplicate payments were made to the suppliers in March 2021 for February 2021 invoices, further payments were made either in April or May 2021 for the queried March 2021 invoices which related to services and/or goods that were received in March 2021.

Thus indicating that the duplicate payments that were made in March 2021 that resulted in credit balances for these suppliers were not utilized to set off against the March 2021 invoices, which were subsequently paid in April or May 2021. Therefore, an accrual was supposed to be reported in the current financial for the services and/or goods, which were received in March 2021 but were invoiced and paid in April /May 2021.

In addition, the duplicate payments made in the current financial year where for no exchange of services nor goods that were received by the entity as a result such payments result in possible fruitless and wasteful expenditure as these payments were paid in vain and could have been avoided.

## **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

Paragraph 18(a) and (b) of GRAP 19 states that “Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier and include payments in respect of social benefits where formal agreements for specified amounts exist and accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees (for example, amounts relating to accrued vacation pay) Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.”

## **Nature**

### **Port Elizabeth region**

#### **Issue 1**

During the audit of accruals, we noted that management initially made an estimate for an amount of R 563 160 in relation to the work done by Imivuzo Trading cc. The supplier subsequently invoiced the Department for the amount of R 541 535 in relation to the work done.

We noted that the invoice was received by the Department prior to year-end. However, management did not update the accrual listing with the invoice amount that is a reliable and accurate valuation of the amount owed.

*Refer to the table below for details:*

Invoice	Supplier name	Description of goods & services	Date	Amount	Accrual Amount per accrual Schedule	Difference
AI-681552	Imivuzo Trading cc	Bulembu SAPS airwing roof maintenance and repairs	09-Mar-21	541 535,00	563 160,00	(21 625,00)

#### **Issue 2**

During the audit of Accruals for completeness testing, we have identified a transaction where as per the Progress Payment Certificate contractor worked from 18 March 2021 to 28 April 2021. Invoice was received on 03 May 2021 and payment was made on 10 May 2021.

The transaction services was rendered before the financial year-end 31 March 2021, however not included on the accrual listing.

Refer to the table below for details;

Supplier Name	Payment batch no	Invoice amount	Description of item in the payment batch	Invoice Number
HBC Construction (Pty)Ltd	46603	R669 196,55	Port Elizabeth supported employment enterprises factory : complete repairs and renovation: completion contract 003	PE/LD:06

This has resulted in an understatement of accruals by **R223 065.52** calculated as follows:

*Days (18 March 2021 - 28 April 2021) = 42*

*Days in current period (18 March 2021 - 31 March 2021) = 14*

*Apportioned amount (R669 196.55/42 \* 14) = R223 065.52*

### Bloemfontein region

During the audit of Accruals we noted the following transactions that occurred in the previous years (prior to 2020/21) that were, however, accrued for in the year 2020/21 instead of the financial years in which they occurred.

No	Region	WCS NO	Supplier Name	Date goods and service received	Date payment approved	Accrual amount
1	Bloemfontein	053981	HILDA VERSTER INCORPORATED	01/04/2018-08/03/2021	12/04/2021	<u>R27 888,44</u>

### Impact

The above may result in the following:

- Non-compliance with section 38(1) (a) (i) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Accruals understated by R 271 578.96.

### Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Management did not update the accrual listing with reliable information.

### Recommendation

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

**Management response:**

**Port Elizabeth region**

**Issue 1**

Management is in agreement with the finding for the following reasons:

The accrual listing has reflected the reliable accrued expense as at 31 March 2021, however, upon receiving the invoice the figure was not adjusted to reflect the exact amount as appear on the invoice.

Management is of the strong opinion that this is an isolated incident and care will be taken in future to update information when invoices are received before the finalization of the schedules. This opinion is supported by the fact that there are no similar incidences of this nature. In the event that the cumulative error is material, management will support the adjustment for this error to ensure that this is not included in the calculation for extrapolation.

**Issue 2**

**Management is not in agreement with the finding for the following reasons:**

The progress payment reflecting 23 March 2021 has included P&G's and work done for the month of March 2021

In addition the contractor confirmed that there is no outstanding work for the month of March 2021.

The progress payment for the month of April 2021 account for the work done for the month of April 2021.

Management would also like to advise that there is always an assumption that the work being undertaken on a construction project is being done evenly from one progress payment report to the next progress payment report, which is a very safe and accurate assumption under normal circumstances, but in this instance, the Contractor categorically stated none of the work undertaken for this progress payment certificate was performed before year end. The PMTE is therefore obligated to use this evidence over the proportionally allocated expenditure methodology.

**Bloemfontein region**

This office cannot agree with the finding of the AGSA as amounts were reflected in the 2019/2020 financials as submitted by this office.

**Auditor's conclusion**

**Port Elizabeth region**

Management responses has been noted and the finding remains will be assessed and reported on management report accordingly.

**Bloemfontein region**

Issue is not resolved, we cannot link the amount recognised in the prior year schedule to the R27 888.44. The documents provided in supporting of the disagreement are not clear.

## **PMTE MMB COFF 06 - Accrued expense: Understatement of Municipal services**

### **Requirements:**

*Section 40 (a) and (b) of the Public Finance Management Act (PFMA) states that: “The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...”*

*Paragraph 17 of the Generally Recognized Accounting Practice (GRAP) 19 states that; “Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. A provision is a liability of uncertain timing or amount...”*

*Paragraph 18 (b) of the Generally Recognized Accounting Practice (GRAP) 19 states that; “Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay) ...”*

*Property Management Trading Entity Payables Management Systems 6.9.2 states “The accrued goods and services received prior to the reporting date need to be accounted in the current financial year.*

### **6.9 Apportionment of accruals**

**6.9.4 The process to be followed to accurately apportion accruals includes:**

- Obtain all the supporting documentation relating to the particular payment; and
- Calculate the apportioned amount based on the total period covered by the service charge and the portion relating to the period under review...”

### **Nature**

#### **Mmabatho region**

During the performance of our audit, we noted that the following transaction for accrued expense was not accounted for using the available latest invoice to determine an accurate amount from the supplier as at 31 March 2021. Therefore, the following differences were identified:

Invoice Number	Supplier Name	Amount of liability as per accrual listing (R.)	Recalculated estimated accrual amount (R.)	Difference (R.)
604800617918	Eskom	531 478,51	3 415 891,45	4 286 117,11
712469028837	Eskom	149 121,97	4 817 595,62	1 411 687,98
60004110032	City of Matlosana	378 512,62	1 560 809,95	2 321 544,07
<b>Total</b>				<b>R8 019 349,16</b>

### **Impact of finding**

The aforementioned finding results in the following:

- Understatement of accrued expense by R8 019 349,16

### **Internal control deficiency**

#### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not ensure that the latest invoice amount was used in determining the accurate amount for the accrued expense. This resulted in the entity recognizing incorrect accrued expense amount on their schedules.

### **Recommendation**

It is recommended that:

- Management should ensure that accurate and complete financial and performance reports that are supported and evidenced by reliable information which is fairly and reasonably determined from suppliers.
- Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

### **Management response:**

#### **Management agree with the finding for the following reason:**

Due to COVID-19 some invoices were delayed and not submitted to the Department on time as suppliers had to figure out new mechanisms of delivering documents to the Department. Because of these delays, the department became pro-active and relied on the last invoice paid to the supplier account to raise an estimate for the accruals.

### **Auditor's conclusion**

Management's responses has been noted, finding remains and will be assessed and reported in the management accordingly

## **PMTE MTH COFF 08 - Overstatement – Debtors with credit balances differences**

### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 38(1)(b) state that *is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution*

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

### **Nature**

During the audit of Debtors with Credit Balances in the Mthatha region, We have noted that the debtors with credit balance on the Schedule does not agree to the auditors recalculation of the balance. A difference of R2 500 was noted.

No	Date	Balance	Amount Per Schedule	Amount recalculated	Difference
1	2021/07/12	Debtors with credit balance	R183 075.87	R162 575.87	R20 500.00

### **Impact**

This results in overstatement of debtors with credit balances to amount of R20 500.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

### **Recommendation**

It is recommended that management should ensure implementation of adequate procedures to account for all debtors' amounts.

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### **Management response:**

Management response not submitted. The finding is considered to be valid and will be reported in the management report.

#### **Auditor's conclusion**

No responses were received from management, therefore finding remains and will be assessed and reported in the management report accordingly.

### **Requirements**

Section 40(1) (b) of the Public Finance Management Act states that; "*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice.*"

Paragraph 17 of the Generally Recognised Accounting Practice (GRAP) 01 states that; "*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses.*"

## Nature

### Issue 1

During the completeness testing of debtors with credit balances, we noted that the following debtor for the stated property below was not classified as a debtor with a credit balance. Based on the debtor's statement provided, the debtors account for the specified property resulted in a credit balance as of 31 March 2021.

Property Code	Building	Name of Customer	Balance as per schedule (R.)	Balance as per the statement (R.)	Difference (R.)
57672	LAND	SA Soutwerke Pty Ltd	35 800	(62 372)	(98 172)

Furthermore, we noted that the following transactions for debtors with credit balance was not accounted for using the available latest statement to determine an accurate amount for debtors with credit balances. The following differences were identified:

Property Code	Building	Name of Customer	Balance as per schedule (R.)	Balance as per the statement (R.)	Difference (R.)
55837	EYSELHOF FLATS	CELL C (PTY) LTD	(175 053)	(594 994)	(419 940)
58644	LOT 452	MTN	(176 372)	(189 679)	(13 307)
<b>Total</b>					<b>(433 247)</b>

### Issue 2

During the audit of debtors with credit balances, we noted that the following debtors for the stated properties below were incorrectly classified as a debtor with a credit balance. The following differences were identified between the amount as per the schedule and the debtor's statements provided, according to the debtors' statements the debtors account for the specified property resulted in a debit balance as of 31 March 2021.

Therefore, the following differences were identified:

Property Code	Building Name	Name of Customer	Balance as per the schedule (R.)	Balance as per the debtor's statement (R.)	Difference (R.)
55837	Eyselhof flats	Telkom (8ta)	(818 806,42)	477 448,17	-1 296 254,59
405820	Land	Trans Hex Operations (Pty) Ltd	(209 920,00)	12 976,00	-258 658,00
<b>Total</b>					<b>- 1 554 912,59</b>

## Impact of the finding

### Issue 1

- This will result in an understatement of accruals from debtors with credit balances of R533 419
- Non-compliance with section 40 of the PFMA and GRAP 01

### Issue 2

- This will result in an overstatement of debtors with credit balances and understatement of Receivables from exchange transactions: Accommodation debtors - freehold private from by R1 554 912.59.
- Non-compliance with section 40 of the PFMA and GRAP 01

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not implement controls over daily and monthly processing and reconciling of transactions

Management did not perform a reconciliation in order to ensure that all transactions are recorded accurately. Furthermore, that the transactions disclosed in the schedule correlate to the supporting documentation

## **Recommendation**

It is recommended that:

- Management should implement controls over daily and monthly processing and reconciling of transactions.
- Management should reconcile the debtor's with credit balances listing at year end to ensure that it is accurate and complete.
- The necessary adjustments should be made on the listing and the AFS disclosure to ensure it is accurate.

## **Management response**

### **Issue 1**

- Recalculation of debts amount raised for rental and escalations percentage of yearly rental amounts which were not considered on either on the debtors schedule and/or PMIS. Restate prior years' balances (Opening and closing) on the debtors schedule where incorrectly debts were raised and/or omitted.
- On receipts of signed contracts from REMS, the rental on the system will be adjusted to reflect debt from initial occupation date and reconciliation will be performed to ensure that all transactions are recorded accurately. Furthermore, that the transactions disclosed in the schedule correlate to the supporting documentation

### **Issue 2**

- Recalculation of debts amount raised for rental and escalations percentage of yearly rental amounts which were not considered on either on the debtors schedule and/or PMIS. Restate prior years' balances (Opening and closing) on the debtors schedule were incorrectly debts were raised and/or omitted.
- On receipts of signed contracts from REMS, the rental on the system will be adjusted to reflect debt from initial occupation date.

## **Auditors Conclusion**

Management's comments are noted. Finding remains and will be reported in the management report

## **MTH COFF 09 – Overstatement of municipal service expenditure (Incorrect classification of transaction)**

### **Requirements:**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 1: Presentation of Financial Statements paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### **Nature**

#### **Mthatha region**

During the audit of expenditure in the Mthatha regional office, we noted that the expenditure incurred on the service that was provided by Reonet (Pty) Ltd (Supplier) was incorrectly classified as municipal services.

The reason management classified this is due to Reonet offering consulting services related to municipal services in which supplier re-performs municipal services fees and saves the department municipal fees expenditure.

However, this should be disclosed as consulting fees since the service rendered is in effect relates a private entity that renders cost-saving services in benefit of the PMTE. See below table.

No.	Supplier Name	Invoice number	Classification per PMTE	Classification per AGSA Assessment	Invoice amount
1	REONET (PTY) LTD	IN107475	Municipal Services	Consulting Fees	426 182

### **Impact**

This results in overstatement of Municipal Service expenditure by R426 182 and understatement of Consulting fees expenditure by the same amount.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the invoices to ensure that transactions are classified based on their nature and in the correct accounting period.

### **Recommendation**

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response**

No management response

**Auditor's conclusion**

Management did not response, finding remains and will be assessed and reported in the management report accordingly

## Provisions

### PMTE PTA COFF 06 – Overstatement of Provisions

#### Requirements:

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets - A provision is a liability of uncertain timing or amount “

- (a) *an entity has a present obligation (legal or constructive) - as a result of a past event –*
- (b) *it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and –*
- (c) *a reliable estimate can be made of the amount of the obligation”*

The Prescription Act section 11(d) states that “*The periods of prescription of debts shall be the following: (d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.”*

#### Nature

##### Pretoria region

During the audit of provisions for the current financial period, we have noted the following issues:

##### Issue 01

The client department logged a call requesting Boiler 1 to be cleared of coal dust. The supplier (Bush and Bull) was appointed to provide a service requested by the client department. PMTE received an invoice from the supplier on the 18 March 2021 for the work done. Management have recorded this transaction as provision on the annual financial statement. Based on the invoice submitted, it was noted that the transaction should have been recorded as payables instead of provision on the current financial statement as the element of uncertainty of timing or amount was eliminated. Refer to the table below:

No	Ref No	Call Details	Call logged date	Amount
1	PRE-156715	Boiler 1 to be cleared of coal dust	2019/01/08	R37 255

##### Issue 02

During the audit of provisions, we have noted that the following calls were cancelled before year-end. However, a provision was raised by PMTE in relation to the logged calls. Refer to the table below:

No	Ref No	Call Details	Call logged date	Amount
1	PRE-161413	There is a bad smell from the ceiling. 	2019/06/21	37 255
2	PRE-158708	Fumigation of flies requested 	2019/03/06	37 255
<b>Total</b>				<b>74 510</b>

## **Impact**

This results in overstatement of Provision by R111 765 while the payables are understated by the same amount.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

## **Recommendation**

Management review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

## **Management response:**

The management is in agreement with the finding with regards PRE-156715, this call was submitted as an accrual as reflected on Annexure A, however due to a typing error it did not pull through as such on the provision calculation completed by Head Office, and therefore it was both reflected as an accrual as well as a provision. Head Office has taken note of this and incorporated an additional review process for the reference numbers specifically going forward prior to calculating the relevant provisions.

The management is furthermore, not in agreement with the finding with regards PRE-161413 and PRE-158708. When the report for Worx4U was extracted on 6 April 2021, PRE-161413 was reflected as In-Progress and PRE-158708 was reflected as Job-Completed. These transactions were only subsequently cancelled after additional information has been obtained after year-end that these calls should no longer be active. The system report as at 6 April 2021 can be supplied to the AG, however it is too big to add as an addendum to this response.

## **Auditor's conclusion**

Management comments are noted.

Management agrees with finding for provision reference no PRE-156715 with amount R37 255. This finding will be reported further.

Management disagrees with the finding for provision reference PRE-161413 and PRE-158708 with total amount of R74 510.

However, as per supporting documents submitted for management's disagreement, the following was noted:

- PRE-161413 – was only cancelled on 26 August 2021 at 11:13:25am according to print out provided.
- PRE-158708 – Which was initially cancelled on 02 April 2019 at 15:13:25pm and on 26 August 2021 at 11:16:26am cancelled again according to printouts provided.

Therefore based on above evidence, it should be noted that this finding will remain and be reported further based on fact that calls were cancelled however not updated according to system.

## **Requirements**

Public Finance Management Act (PFMA) Section 40 stipulates that: “*the accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice*”.

Paragraph 18(a) and (b) of GRAP 19 states that

“*Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier and include payments in respect of social benefits where formal agreements for specified amounts exist and accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees (for example, amounts relating to accrued vacation pay) Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.*”

Paragraph 18(a) and (b) of GRAP 18 states that “*A provision is a liability of uncertain timing or amount.*

*A restructuring is a programme that is planned and controlled by management, and materially changes either:*

- (a) the scope of an entity’s activities; or*
- (b) the manner in which those activities are carried out.*

Paragraph 19 of GRAP 18 states that “*In a general sense, all provisions are contingent because they are uncertain in timing or amount. However, within this Standard the term “contingent” is used for liabilities and assets that are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In addition, the term “contingent liability” is used for liabilities that do not meet the recognition criteria.*

## Nature

During the audit of provisions, we have noted that claims has been made against PMTE, based on the auditors assessment there is no existing liability of uncertain timing or amount therefore transactions should not be classified as provisions.

- a) Based on management's assessment as quoted below, it was concluded that the court ruling maybe favorable to the department and therefore there is no existing liability but a possible obligation that may arise from the court case due to the termination of the agreement.

*"Inspected the letter from the office of the state attorney (Adv. L.A Spokane) signed and dated 28/01/2020 and confirmed the department has been instructed to defend the matter and issue a counter claim on the following basis:*

*-At the time of contract cancellation the project was 45% complete with 55% of the work still outstanding and remedial work to be done.*

*-In order to bring the project to finality, the department had to appoint another contractor and engage the services of a quantity surveyor to certify the works completed and outstanding work.*

*-The findings of the quantity surveyor found that there was completed work that was not done in accordance with the specifications and had to be redone and prepared a revised bill of quantities.*

*Therefore based on the basis and legal instructions the State Attorney's office, the assessment of the claim may possibly be a ruling in the favour of the defendant (DPW Bloemfontein)."*

No	Plaintiff	Nature of the Claim	Plaintiff's Firm of Attorneys	Date of Summons	Amount claimed
1.	Central Bridge Trading 389 t/a DJ Construction	Breach of contract due to poor performance	KWJ Attorneys	2019/11/13	R1 815 258,36

## Impact

This has resulted in an overstatement of provisions schedule by R 1 815 258, 36

Understatement of contingent liability schedule by R 1 815 258, 36

Non – compliance with Public Finance Management Act (PFMA) Section 40

Non – compliance with GRAP 18 of Paragraph 18(a) and (b)

## Internal control deficiency

### Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information due to the provisions not being classified correctly.

## Recommendation

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

The misstatement maybe be material if combined with issues from other regions and extrapolated and therefore, management should consider revisiting the population to identify misstatements of a similar nature in preparation for auditor's adjustments.

### **Management response**

Management agrees with the finding of the AGSA.

Action plan: Legal services to ensure that classifications are done correctly, by submitting the inputs to the Finance Unit for scrutiny and validation prior to consolidation and inclusion into the annual financial statements.

### **Auditor's conclusion**

Management's conclusions has been acknowledged and based on the responses to the audit issue, finding remains and will be reported in the management accordingly.

**Requirements:**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

Section 40(3)(a) of the Public Finance Management Act states that: “*The annual report and audited financial statements referred to subsection (1) (d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned...*”

Standards of Generally Recognized Accounting Practice (GRAP 19) paragraph 21 states that:  
*A provision is a liability of uncertain timing or amount*

- (d) *an entity has a present obligation (legal or constructive) - as a result of a past event –*
- (e) *it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and –*
- (f) *a reliable estimate can be made of the amount of the obligation*

Standards of Generally Recognized Accounting Practice GRAP 19 paragraph 44 and 45 in terms of best estimate state that:

*“The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.” and*

*“The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. It will often be impossible or prohibitively expensive to settle or transfer an obligation at the reporting date. However, the estimate of the amount that an entity would rationally pay to settle or transfer the obligation gives the best estimate of the expenditure required to settle the present obligation at the reporting date.”*

## Nature

### Head Office

During the audit of Provisions completeness testing, it was noted that the schedule system report as used for the balance disclosure of general provisions had 66 calls logged that had zero values.

These calls were however disclosed with zero rand values however were still accounted for in the schedule as calls that should have been provided for.

Management did not recognize these provisions as at the best estimate of the expenditure required to settle the present obligation at the reporting date. This furthermore resulted in an understatement of provisions at year ended 31 March 2021.

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
W4U	NST-108260	Cutting of tree that is falling and damaging roof and gutters 	In-Progress	2019/03/05	R0.00	Change in estimate
W4U	PRE-161121	Removing of trees, because its causing damaging to the walls and to the electric danger box and paving 	In-Progress	2019/06/11	R0.00	Change in estimate
W4U	POL-123021	Tree branching obstructing building structure 	In-Progress	2019/10/14	R0.00	Change in estimate
W4U	POL-123662	Request for Big trees to be removed  	In-Progress	2019/11/25	R0.00	Change in estimate
W4U	PRE-165806	 Tree caught fire and it might fall on the building it need to be removed.	Job-Completed-WM	2020/01/07	R0.00	Change in estimate
W4U	MTH-110626	Cutting of huge x4 pawn trees the roots are coming from underneath the building causing cracks	In-Progress	2020/12/09	R0.00	Additions
W4U	MTH-110704	<span style="font-size: 12.16px;">Grass Cutting and pruning</span>	In-Progress	2020/12/21	R0.00	Additions
W4U	MTH-110778	the grass need to be cut at the office of the chief justice high court umtata	Job-Completed-WM	2021/01/11	R0.00	Additions
W4U	MTH-111027	request for grass cutting client says there are snake around the area. 	In-Progress	2021/03/02	R0.00	Additions
W4U	MTH-111164	CUTTING OF GRASS AND TREES AT QUMBU MAGISTRATE COURT	In-Progress	2021/03/30	R0.00	Additions

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
ARCHIBUS	11761	Request for removal of tree which fell on the building roof, At Conville Police station.	Assigned to Work Order	2020/02/06	R0.00	Additions
ARCHIBUS	12321	Check and removal of tree , it is damaging the structure in house no 33	Assigned to Work Order	2020/02/13	R0.00	Additions
ARCHIBUS	25198	The bushes need cut off	Assigned to Work Order	2020/06/02	R0.00	Additions
ARCHIBUS	25453	Tree felling in the passage of the court.	Assigned to Work Order	2020/06/03	R0.00	Additions
ARCHIBUS	28467	Check and cut down the tree that is inside the yard and assess the roof tiles at the garage and at the house. There is a missing gutter as well.	Requested	2020/06/30	R0.00	Additions
ARCHIBUS	32449	CHECK AND REPAIR THE CHILLER PLANT AT SACS	Assigned to Work Order	2020/07/29	R0.00	Additions
ARCHIBUS	35453	Removal of a tree that caused structural damages.	Requested	2020/08/14	R0.00	Additions
ARCHIBUS	36415	+/- 8Tree felling damaging the building, causing cracks to the building	Assigned to Work Order	2020/08/21	R0.00	Additions
ARCHIBUS	37496	Request for removal of 2x large palm trees, the trees are growing on the 110mm asbestos water line and they are causing obstruction and damaging the property At House 23 Allandien correctional centre, Goodwood Correctional Centre.	Assigned to Work Order	2020/08/31	R0.00	Additions
ARCHIBUS	38423	emptying 15 Sceptic tanks are overflowing	Issued and In Process	2020/09/07	R0.00	Additions
ARCHIBUS	39860	Request for cutting and removal of 1x big tree that is falling on house roof and disturbing electrical cables At House 4 Gen De Wet Street,Thaba Tshwane.	Assigned to Work Order	2020/09/17	R0.00	Additions
ARCHIBUS	41781	Bio-disc and bearings in the Sewer Plant at New Hanover	Assigned to Work Order	2020/10/05	R0.00	Additions

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
ARCHIBUS	44513	Request for cutting and removal of trees that are damaging the fence Around Perimeter fence, Faure Shooting Range – Old Faure Road.	Assigned to Work Order	2020/10/23	R0.00	Additions
ARCHIBUS	51495	a tree fall and damage the fence including nabours AT boksberg station(yard)	Assigned to Work Order	2020/11/23	R0.00	Additions
ARCHIBUS	53552	Cut down the trees behind Linden SAPS - No 30 Boundary road.	Assigned to Work Order	2020/12/03	R0.00	Additions
ARCHIBUS	54896	A bee infestation at 25 Alfred Street, Greenpoint.	Requested	2020/12/12	R0.00	Additions
ARCHIBUS	55986	x10 trees has fallen need to be trimmed has fallen on the power cables and telephone cables.	Assigned to Work Order	2020/12/18	R0.00	Additions
ARCHIBUS	56017	tree has fallen and it is blocked by the fence it will fall on the roof	Issued and In Process	2020/12/18	R0.00	Additions
ARCHIBUS	56642	Cutting of trees at the Whole Premises	Assigned to Work Order	2020/12/29	R0.00	Additions
ARCHIBUS	57364	Grass needs to be cut; around the building and residential	Assigned to Work Order	2021/01/06	R0.00	Additions
ARCHIBUS	57367	Collect waste at the swartkop border; at swartkop border and residential	Assigned to Work Order	2021/01/06	R0.00	Additions
ARCHIBUS	58623	Removal of tree which fell on top of the roof at DOG TRAINING-SAPS	Issued and In Process	2021/01/15	R0.00	Additions
ARCHIBUS	58646	Tree fell on a property causing the roof and the wall of the property to collapse, next to security building	Issued and In Process	2021/01/15	R0.00	Additions
ARCHIBUS	59815	Request for cutting and removal of the big tree that it may fall at anytime and cause a damage to the property and poses a risk of injury to tenants At Silverpark no. 27, Saps Logistics - Silverton.	Assigned to Work Order	2021/01/21	R0.00	Additions

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
ARCHIBUS	60100	Clearing of vacant land - 17HA (fire hazard) At Erf 84603 - Allenby Drive / Flora Road Steenberg.	Requested	2021/01/23	R0.00	Additions
ARCHIBUS	60275	removal of three fallen trees due to strong winds, and maintenance of a fallen perimeter wall damaged by the fallen tree.	Assigned to Work Order	2021/01/25	R0.00	Additions
ARCHIBUS	60803	tree might fall on top of the roof anytime roots are loose	Assigned to Work Order	2021/01/27	R0.00	Additions
ARCHIBUS	61595	Cutting of tree that is falling on the electrical cables, at no:54 Helwan Street	Assigned to Work Order	2021/02/01	R0.00	Additions
ARCHIBUS	62031	Check and trim the tree that has fallen on the electric wires, at the Cha center	Assigned to Work Order	2021/02/03	R0.00	Additions
ARCHIBUS	62080	tree falling on the roof of the house and is danger to the children	Requested	2021/02/03	R0.00	Additions
ARCHIBUS	62997	Request for cutting and removal of 2x trees, 1x tree fell on the fence and the other 1x is about to fall onto the house At House 579 Weir Street, Pretoria Gardens.	Assigned to Work Order	2021/02/08	R0.00	Additions
ARCHIBUS	64195	Request for grass cutting at no. 1 Court Street, Elandsdoorn - Dennilton.	Issued and In Process	2021/02/15	R0.00	Additions
ARCHIBUS	64452	Trees to be removed that falling on top of the building	Issued and In Process	2021/02/16	R0.00	Additions
ARCHIBUS	64468	please assist with the tree that falling in the gate	Requested	2021/02/16	R0.00	Additions
ARCHIBUS	65757	Cutting of grass at MAKOPONG PORT OF ENTRY	Assigned to Work Order	2021/02/18	R0.00	Additions
ARCHIBUS	66388	Fiber sheets they are coming out they need middle support, At the 44 squadron	Assigned to Work Order	2021/02/22	R0.00	Additions
ARCHIBUS	66389	Fiber sheets coming out need middle support , At 41 Squadron	Assigned to Work Order	2021/02/22	R0.00	Additions
ARCHIBUS	66672	Request for cutting of a grass At MANKWENG MAGISTRATE	Issued and In Process	2021/02/23	R0.00	Additions

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
ARCHIBUS	66785	the tree branches is broken and its laying on the electrical cable	Assigned to Work Order	2021/02/23	R0.00	Additions
ARCHIBUS	66817	They are requesting 100 000 litres of water , At HEALDTOWN (NTOLENI) POLICE STATION	Assigned to Work Order	2021/02/24	R0.00	Additions
ARCHIBUS	67082	Clearing a waters bushes and shrubs under neath power lines, At water wax	Assigned to Work Order	2021/02/25	R0.00	Additions
ARCHIBUS	67748	Cutting of a tree that is hanging on the power line at house number A8. (COLLEGE PRETORIA WEST TRAINING FACILITY)	Assigned to Work Order	2021/03/02	R0.00	Additions
ARCHIBUS	68602	Request for cutting of trees that are below electricity cables at Giyani Saps Barracks.	Issued and In Process	2021/03/05	R0.00	Additions
ARCHIBUS	68720	Cutting of trees inside the workshop area.	Issued and In Process	2021/03/08	R0.00	Additions
ARCHIBUS	68904	Rodent ins station control inside and outside, At HQ building	Requested	2021/03/08	R0.00	Additions
ARCHIBUS	68905	Rodent ins station control inside and outside, At Faculty	Requested	2021/03/08	R0.00	Additions
ARCHIBUS	68909	Rodent ins station control inside and outside, At MACC	Requested	2021/03/08	R0.00	Additions
ARCHIBUS	68910	Rodent ins station control inside and outside, At building QM	Requested	2021/03/08	R0.00	Additions
ARCHIBUS	68911	Rodent ins station control inside and outside, At E block	Requested	2021/03/08	R0.00	Additions
ARCHIBUS	69655	Request the trimming and cutting of trees	Issued and In Process	2021/03/11	R0.00	Additions
ARCHIBUS	69976	Check the Tree Branches, are hanging electric cables, and need to be cut, At No: 5, Court Sill Road.	Requested	2021/03/13	R0.00	Additions
ARCHIBUS	70566	Cutting and trimming of the trees,	Assigned to Work Order	2021/03/17	R0.00	Additions

General Provisions - System Extract 2020-21						
System	Ref No	Call Details	Status	Incident Date	Final provision Amount	Movement Description
ARCHIBUS	71261	There is rat in the police station they are eating the cables they are requesting help, At ELSIES RIVER POLICE STATION	Requested	2021/03/23	R0.00	Additions
ARCHIBUS	71408	Grass cutting	Issued and In Process	2021/03/23	R0.00	Additions
ARCHIBUS	72192	X4 trees needs to be removed on the premises	Assigned to Work Order	2021/03/29	R0.00	Additions

### Impact of the finding

Non-compliance with the PFMA Sec 40

This results in understatement of Provision at year end

### Internal control deficiency

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

### Cause

Management did not adequately review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

### Recommendation

- Management review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

### Management response:

Management is partly in agreement with the finding.

Before 2016/17 PMTE received audit qualifications relating on the completeness of the day-to-day maintenance accrual. In the 2016/17 financial year, management decided to split the recognition of the day-to-day maintenance expenditure due between an accrual (for the portion that less uncertainty exist) and to recognise separately for the portion of the liability where uncertainty exist

either about the timing and/or amount of the liability in accordance with GRAP 19 definitions of a provision.

After deliberations with the auditors, management agreed to develop a model that will look at past events to estimate the provision for day-to-day maintenance.

When this model and the related calculations was designed, there were no calls classified as a Horticultural Emergency. Every single one of the 65 calls listed above for the 2020/2021 year were Horticultural Emergencies. Therefore, when the designed model was implemented to calculate the provision, the Horticultural Emergencies were valued at R0 as the model did not originally include a calculated value for these types of calls.

Subsequently, management has reviewed the approach, and has used information based on the years subsequent to 2016/17 to calculate a similar valuation approach.

Based on these calculations, we have calculated that it takes an average of 118 days for a Horticultural Emergency call to be completed and that the average price for such a call to be completed is R23,360.70.

Of the 65 calls listed, only 20 calls are older than 118 days and are therefore to be included in the calculation of the final provision.

Therefore the total value of the understatement of provisions is:  $20 * \text{R}23,360.70 = \text{R}467,214$ .

See a breakdown of the individual calls and the related comments in Annexure A and the revised model for the calculation of the Provision that includes the relevant information for Horticultural Emergencies in Annexure B

### **Auditor's conclusion**

Management comments are noted. Misstatements will be further reported.

## PMTE CTN COFF 06 - Overstatement of Provisions

### Requirements:

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets - A provision is a liability of uncertain timing or amount

- (g) *an entity has a present obligation (legal or constructive) - as a result of a past event –*
- (h) *it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and –*
- (i) *a reliable estimate can be made of the amount of the obligation –*

*The Prescription Act section 11(d) states that “The periods of prescription of debts shall be the following:*

- (d) *save where an Act of Parliament provides otherwise, three years in respect of any other debt.*

### Nature

#### Cape Town region

During the audit of Provisions in the Cape Town region, we noted that the call logged for the services listed in the table below were completed and paid for in the prior year's or the liability had prescribed per the Prescription Act i.e. older than 3 years and therefore the transactions do not meet the definition and recognition criteria of a provision:

Ref number	Amount	Description	Payment Date
CPT-101652	6 900,00	The Cool room is not working at all	2019/02/07
CPT-101653	690 000,00	Rats all over the magistrate court	The call log was closed because it prescribed (3 years passed without being attended to). Call was logged on 16 September 2014 and closed on 31 March 2021.
CPT-101654	6 900,00	Reset Temo. On Air Conditioner	2016/11/15
<b>Total</b>	<b>R703 800</b>		

### Impact of the finding

This results in overstatement of Provision by R703 800

### Internal control deficiency

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## **Cause**

Management did not adequately review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

## **Recommendation**

- Management review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

## **Management response:**

Management is in agreement with the audit finding.

This was an oversight, these amounts should not have been included as Provisions. It is always ensured that all transaction entries on the workbook are thoroughly scrutinized with their supporting documents before they are submitted. In future more stringent review controls will be implemented to ensure accuracy of the disclosed amounts.

## **Auditor's conclusion**

Management agrees with the finding. Therefore, the finding will be evaluated and reported accordingly.

**Requirements:**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 20 Paragraph 10 state “*Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.*”

GRAP 20 Paragraph 34 state “*Where a reporting entity is exempt from the disclosures in accordance with paragraph .32 the entity shall disclose narrative information about the nature of the transactions and the related outstanding balances referred to in paragraph .27 to enable users of the reporting entity's financial statements to understand the effect of related party transactions on its financial statements.*”

**Nature**

During the regional audit of the Property Management Trading Entity (PMTE), we noted the following:

- The PMTE provide office accommodation to the staff of the Independent Development Trust (IDT) in the regional offices at no cost. These are the regions where IDT is utilising the office space of PMTE:
  - Free State
  - Mpumalanga
  - North West
  - Northern Cape
  - Western Cape
- This is a related party transaction as the IDT and PMTE are entities under common control.
- However, the PMTE did not disclose the above in the financial statement.

**Impact of the finding**

This results in incomplete disclosures for related parties.

**Internal control deficiency**

*Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

**This is due to**

Lack of review of the financial statements to ensure that all the necessary disclosures are made as required by GRAP 20.

**Recommendation**

- Management should review the financial statements to ensure that all the necessary disclosures are made as required by GRAP 20.
- Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response:**

I am in agreement with the finding.

Corrective action to be taken:

Include a narrative informing the users of the AFS that IDT is being accommodated in five (5) DPWI regional offices at no cost. This will be included in note 35 of the AFS.

**Auditor's conclusion**

Management response noted. A follow up will be performed when the final AFS are submitted to confirm that the necessary disclosures were made.

## Requirements

**Public Finance Management Act section 55(1)(b) states that “The accounting authority for a public entity prepare financial statements for each financial year in accordance with generally accepted accounting practice, unless the Accounting Standards Board approves application of generally recognised accounting practice for that public entity;”**

**GRAP 19: Provisions, Contingent Liabilities and Contingent Assets states the following:**

17. *A contingent asset is:*
  - (a) *A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.*
30. *.....for the purpose of this Standard, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not.....*
38. *An entity shall not recognise a contingent asset.*
39. *Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. An example is a claim that an entity is pursuing through legal processes, where the outcome is uncertain.*
40. *Contingent assets are not recognised in financial statements since this may result in the recognition of revenue that may never be realised. However, when the realisation of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.*
41. *Contingent asset is disclosed, as required by paragraph .106, where an inflow of economic benefits or service potential is probable.*
106. *Where inflow of economic benefits or service potential is probable, an entity shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions in paragraphs .43 to .59.*

**Accounting policy 1.13 Provisions and contingencies** stated “Contingent assets are disclosed where the PMTE has a possible inflow of resources but the inflow did not meet the recognition criteria of an asset.”

Module 6.2: Contingencies states the following

### Definition and terminology

#### Remote

Highly **unlikely** to happen

**Low** chance of occurring

**Not** provision or contingent liability

#### Possible

It can happen

**Medium** chance of occurring

**Contingent liability**

#### Probable

**More likely than not** to happen

**High** chance of occurring

**Provision**

28

### We noted the following:

During the audit of contingent assets, we noted the following:

- The accounting policy for Contingent assets as disclosed in note 1.13 stated that “*Contingent assets are disclosed where the PMTE has a possible inflow of resources but the inflow did not meet the recognition criteria of an asset.*” This is not in line with paragraph 41 and 106 of GRAP 19, which requires that contingent assets to be disclosed where an inflow of economic benefits or service potential is probable.
- Disclosure note 30 stated that “*The claims for the PMTE arose from property and maintenance disputes with various third parties and/or service providers. The entity’s legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent asset and that the inflow of economic benefits is possible at the reporting date.*” This is also not in line with the requirements of paragraph 41 and 106 of GRAP 19.
- We reviewed the contingent assets listing and noted that all the cases making up the contingent assets R228 684 479, 59 were assessed as Possible.
- Based on our assessment of the cases, management’s assessment is reasonable based on the nature and status of the cases.
- Therefore, these cases should not have been disclosed as contingent assets.

### Impact of the finding

#### The above result in the following:

- Overstatement of contingent assets by R228 684 479, 59.
- Non-compliance with PFMA due to accounting policies not in line with the requirements of GRAP.

### Internal control deficiency

#### Financial performance Management

Management did not prepare accurate and complete financial statements that are supported and evidenced by reliable information.

**This is due to**

This is due to accounting policies for contingent assets not in line with the requirements of GRAP.

**Recommendation**

- Management should ensure that the accounting policies are on line with the requirements of GRAP Standards.
- Management should update the accounting policies for Contingent assets to be in line with GRAP 19.
- Management should process the necessary adjustments in the AFS and submit the adjusted AFS

**Management response**

Management agrees with the audit finding.

Corrective action to be taken :

- The disclosure note 30 will be adjusted on the Annual Financial Statements (AFS) to be in line with the requirement of GRAP
- Adjustment to the disclosure note 30 to agree with the accounting policy in Paragraph 1.13 in the AFS as well as paragraphs .41 and .106 of GRAP 19 (See attached extract)
- The assessment of the population will not be affected

**Auditor's conclusion**

Management response noted. A follow up will be performed when the final AFS are submitted to confirm that the disclosure note for Contingent assets was updated.

Management should also update the accounting policy for contingent assets as disclosed in Note 1.13.

## Cash flow statement

### PMTE HO COFF 32- Cashflow not accurately calculated

#### Requirements:

*Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control”*

*Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standard”*

*Section 40 (1) (b) of the PFMA states that: “The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”*

*Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation”*

*Standard of Generally Recognised Accounting Practice (GRAP 2), paragraph 17(a) state that “The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity’s future service delivery. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:*

*(a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;*

## **Nature of finding**

During the audit of Cash flow statement, it was noted that the following line items were not accurately presented:

Description	Amount per Cash flow statement	Recalculated amount	Difference	Impact
Additions to PPE	2 593 011,00	2 508 417,47	84 593,53	Overstatement
Acquisition of Intangible Assets	1 989,00	2 009,00	20,00	Understatement
Maintenance	1 647 625,00	1 762 564,00	114 939,00	Understatement
Interest, fines, recoveries and other receipts	24 880	25 575,35	695,35	Understatement
Deferred revenue from implementing agent (Note 28)	67 689,00	543 617,85	475 928,85	Understatement
Retention Liabilities (Note 28)	291 421	28 690	320 111	Understatement
Provisions (Note 28)	617 370,00	142 493,00	474 877,00	Overstatement

## **Impact**

- Overstatement of cash paid for additions of PPE
- Understatement of cash paid for the acquisition of Intangible assets
- Understatement of cash paid for maintenance
- Understatement of cash received from interest, fines recoveries and other receipts
- Incorrect amounts used in the reconciliation of cash from operation

## **Internal control deficiency**

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

## **Recommendation**

Management is recommended to adjust the Financial Statements to reflect the correct amounts

Management should implement controls to ensure that complete and accurate cash flow statement is prepared

## **Management response**

Management agrees with the audit finding. Management will correct the Cash-Flow with the final AFS after all audit adjustments have been processed on SAGE.

## **Auditor's conclusion**

Management response is noted, Finding remains until AFS are adjusted

## Disclosure note: Prior period error

### PMTE HO COFF 53 - Prior period error

#### Requirements

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 40 (1) (a) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 40(3)(a) of the Public Finance Management Act states that: “The annual report and audited financial statements referred to subsection (1) (d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned.”

Generally Recognised Accounting Practice (GRAP) 3 par .51 states that “entity shall disclose the following:

- (a) the nature of the prior period error”
- (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected

## **Nature**

During the audit of prior period error, we noted the nature of the prior period error on the following line items: property maintenance, property rates and sundry operating expense were not presented on note 37: prior period error.

## **Impact of the finding**

- The prior period error note is not complete as per GRAP 3 par. 51 disclosure requirements

## **Internal control deficiency**

### **Leadership**

- Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

### **Financial and performance management**

- Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## **Recommendation**

It is recommended that:

- management must ensure that prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information
- Management must adjust the prior period error note to ensure that it is per GRAP 3 par. 51 disclosure requirements

## **Management response**

Management agrees with the audit finding and will correct disclosure note 37 with the final audited set of AFS.

## **Auditor's response**

Management response noted. The finding will be reported on the management report.

## FRUITLESS AND WASTEFUL EXPENDITURE

### PTA COAF 09, MTH COAF 06 - Fruitless and wasteful expenditure understatement

#### Requirements

Public Finance Management Act Section 38 (1) (c) (ii) states that “*The accounting officer must take effective and appropriate steps to prevent fruitless and wasteful expenditure;*

Public Finance Management Act (PFMA) section 38(1)(f) states that: “*The accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.”*

Public Finance Management Act Section 38 (1) (g) states that “*The accounting officer must on discovery of fruitless and wasteful expenditure, immediately report, in writing, particulars of the expenditure to the relevant treasury”*

Public Finance Management Act (PFMA) Section 40(3) (b) states that “*The annual report and audited financial statements must include particulars of fruitless and wasteful expenditure that occurred during the financial year and any disciplinary steps taken as a result of such fruitless and wasteful expenditure”*

Public Finance Management Act (PFMA) Section 1 defines Fruitless and Wasteful Expenditure as” *Expenditure which was made in vain and would have been avoided had reasonable care been exercised”*

Treasury Regulation 9.1.2 states, “*When an official of a department discovers unauthorized, irregular or fruitless and wasteful expenditure, that official must immediately report such expenditure to the accounting officer. Such expenditure must also be reported in the monthly report, as required by section 40(4) (b) of the Act. Where irregular expenditure occurred in contravention of tender procedures, the relevant tender board must also be notified.”*

Treasury Regulation 9.1.5 states, “*The amount of the fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements.”*

Fruitless and Wasteful Expenditure Framework Chapter 3 point 5 states that “*Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources.”*

*Determination*” means an informal assessment to be conducted by the Loss Control Function or another relevant function to examine or analyse particulars of the expenditure and quantify amount(s) of fruitless and wasteful expenditure;

#### Nature

##### Pretoria region

##### **Matter 1 background**

During the audit of interest expense, auditors identified the following interest of R192 057.58.

This interest was incurred by the department as a result of an initial court ruling in favour of supplier Sakiyas Building Construction CC. The case number was 40612/2008 in relation

This was for Mora Interest as due and payable by the Department. The initial court case ruled in favour on 08 May 2018. After various deliberations between the legal teams concerned, the department paid this interest on 09 December 2020 to Nadia Ebrahim (Peera) Attorneys.

No	ACCOUNT DESCRIPTION	Supplier	ACCOUNTING DATE	Amount
4	Int Paid:Overdue Accounts	Nadia Ebrahim Attorneys	2020/12/09	R192 057.58

### **Auditor's assessment**

Based on auditors' assessment the following is noted

- The definition of fruitless expenditure refers to "*expenditure incurred is made in vain and no value for money was derived from the expenditure or the use of other resources*"
- "*Vain*" means *an expenditure which was undertaken without value or substance and which did not yield any desired results or objectives.*
  - No evidence of value for money was noted in this transaction.
  - Additionally although this was a provisional court judgement, in the interim there was no indication that the said money spent would be recoverable.
- The entity actually incurred this expenditure as correctly processed on the general ledger.
- As per the National Treasury Instruction No 3 of 2019/2020' Annexure A - Fruitless & Wasteful Expenditure Fruitless And Wasteful Expenditure Framework
  - "*Upon detection of alleged fruitless and wasteful expenditure, the Loss Control Function or another relevant Function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.*"
  - However, no evidence submitted of assessment of the above from the management of PMTE as proof of their assessment.
- According to paragraph, 19 of the "Guideline on Fruitless and Wasteful Expenditure" *The accounting officer or accounting authority must ensure that the validity of fruitless and wasteful expenditure is confirmed before the annual financial statements are submitted for audit purposes. If fruitless and wasteful expenditure occurred during the year under review and is only discovered during the audit, the validity thereof must be confirmed before the audit is finalized.*
  - It should be noted that no narration was made on the face of the financial statements regarding any fruitless and wasteful expenditure
  - Additionally as per auditors assessment, this expenditure was incurred in vain and should be disclosed as Fruitless and Wasteful Expenditure as no value for money was derived from this interest expenditure. The court ruling in favour of the plaintiff reaffirms the indication that the expenditure incurred was in vain and management could have avoided all associated costs prior to perusing the legal route

- Therefore fruitless and wasteful expenditure of R192 057.58

## Mthatha region

### **Matter 1 background**

During the 2019/20 financial year, the Department paid the interest expense amount of R1 890 943.81 to supplier Somana Construction on 16 April 2019 with payment reference ZINTP1904S1012003200. This was an arbitration ruling in favour of Somana Construction as at 10 April 2017 for the Upgrading of Nelson Mandela Museum.

No	Supplier	Payment reference	Amount
1	Somana Construction	ZINTP1904S1012003200	R1 890 943.81

### **Auditor's assessment**

Based on auditors' assessment the following is noted

- The definition of fruitless expenditure refers to "*expenditure incurred is made in vain and no value for money was derived from the expenditure or the use of other resources*"
- "*Vain*" means *an expenditure which was undertaken without value or substance and which did not yield any desired results or objectives.*
  - No evidence of value for money was created in this transaction.
- As per the National Treasury Instruction No 3 of 2019/2020' Annexure A - Fruitless & Wasteful Expenditure Fruitless And Wasteful Expenditure Framework
  - "*Upon detection of alleged fruitless and wasteful expenditure, the Loss Control Function or another relevant Function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.*"
- However, no evidence submitted of assessment of the above from the management of PMTE as proof of their assessment.
- According to paragraph, 19 of the "Guideline on Fruitless and Wasteful Expenditure"
  - "*The accounting officer or accounting authority must ensure that the validity of fruitless and wasteful expenditure is confirmed before the annual financial statements are submitted for audit purposes. If fruitless and wasteful expenditure occurred during the year under review and is only discovered during the audit, the validity thereof must be confirmed before the audit is finalized.*"
- It should be noted that no narration was made on the face of the financial statements regarding any fruitless and wasteful expenditure
  - Additionally as per auditors' assessment, this expenditure was incurred in vain and should have been disclosed as Fruitless and Wasteful Expenditure as no value for money was derived from this interest expenditure. The court ruling in

favour of the plaintiff reaffirms the indication that the expenditure incurred was in vain and management could have avoided all associated costs prior to perusing the legal route.

- Therefore, management should have disclosed this expenditure as Fruitless and Wasteful expenditure for the year ended 2019/20.

## **Impact**

The aforementioned findings result in:

- (a) Non-compliance with Section 38 of the Public Finance Management Act
- (b) Non-compliance with Section 40 of the Public Finance Management Act
- (c) Non-compliance with Treasury Regulation 9.1.2 and 9.1.5
- (d) Understatement of Fruitless and Wasteful Expenditure to the value of R192 057.58

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not review and monitor compliance with applicable laws and regulations.  
Management did not disclose all material facts on the financial statements

## **Recommendation**

It is recommended management should disclose all Fruitless and Wasteful Expenditure and apply Fruitless and Wasteful Expenditure framework and comply with applicable legislature

### **Pretoria region**

#### **Pretoria region**

**Management response:** Awaiting management response

### **Auditor's conclusion**

Management response is not submitted. The finding will remain and be reported on the Management report.

### **Mthatha region**

**Management response:** A waiting management response

### **Auditor's conclusion**

Management response is not submitted. The finding will remain and be reported on the Management report.

## **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.*”

Public Finance Management Act (PFMA) paragraph 1 defines “*fruitless and wasteful expenditure*’ as *expenditure which was made in vain and would have been avoided had reasonable care been exercised...*”

Public Finance Management Act paragraph 38 (1)(c)(ii) states that “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*”

Public Finance Management Act paragraph 38 (1)(g) states that: “*The accounting officer must on Discovery of fruitless and wasteful expenditure, immediately report, in writing, particulars of the expenditure to the relevant treasury..*”

Treasury Regulation 9.1.1 state that “*The accounting officer of a trading entity must exercise all reasonable care to prevent and detect fruitless and wasteful expenditure and must, for this purpose, implement effective, efficient and transparent processes of financial and risk management...*”

Section 8.2.3 of the National Treasury Regulation state that “*Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.*”

## **Nature**

### **Durban region**

#### **Background**

During the audit of interest expense, we noted that Basil Read (contractor) issued a payment certificate for a value of R29 051 073.25 for tender no: DBN 13/12/01- Port Shepstone: Magistrate Court: Construction of a new building, dated 16 May 2018 for works completed. The payment certificate was as result of approval of extension of time claims awarded on 14 May 2018 by the DDG (Batho Mokhethu). Due to the region being unable to authorise payments above 20 million, the payment needed to be authorised by the DDG at head office.

An email correspondence was sent by Thuthuka Mbhele on 01/06/2018, time 12:14 to Vuyiswa Dlolova, cc Batho Mokhethu, subject: Port Shepstone magistrate court payment certificate no-44 and noted that the email was for Head office to authorise the payment certificate as regional office was unable to approve due to the invoice value exceeding their finance delegation.

Payment was authorised by Batho Mokhethu (DDG) on 12 June 2018. However, payment could not be processed due to Basil Read being in business rescue. Management did not provide any supporting document to substantiate the business rescue. Through the inspection of the file provided, we noted an email correspondence from DDG, dated 12 July 2018 instructing Thuthuka not to release payment for the Port Shepstone Magistrate Court contract due to Basil Read being on business rescue.

We have further noted that Basil Read filed for a court order requesting PMTE to settle the R29 051 073.25 as per the progress payment certificate initially issued. On 29 July 2020 Pretoria High Court ordered PMTE to pay the contractor the principle amount of R29 051 073.25 and interest accumulated thus far of R6 738 646.85 to Basil Read. The interest incurred by the client was R8 158.18 per day since May 2018 to July 2020.

#### **Auditor's assessment**

Based on our, the interest amount paid of R6 738 646.85 will results in the fruitless and wasteful expenditure for the entity. The interest expense could have been avoided by the entity if the payment were made on time as per the contract. The entity did not receive any benefit from this expenditure and this resulted in the financial loss.

#### **Impact**

- Non-compliance with treasury regulation 9.1.1 and treasury regulation 8.2.3.
- This resulted in fruitless and wasteful expenditure R R6 738 646.85

#### **Internal control deficiency**

##### *Financial and performance management*

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

Management did not ensure that the identified fruitless and wasteful expenditure is investigated on time, concluded and disclosed as such on the annual financial statement.

#### **Recommendation**

It is recommended that management should conduct the investigation to determine the full extent of fruitless and wasteful expenditure resulting from interest expense charged.

The identified fruitless and wasteful expenditure should be recorded on the annual financial statement.

### **Management response**

I am not in agreement due to the following;

The interest amount that the AG is regarding as a fruitless and wasteful expenditure was granted by the High Court to Basil Read for the department to pay as a provisional amount pending the outcome of the main court case which will still be heard. The full payment that was processed had to be secured by a payment guarantee which had to be provided by the business rescue practitioner on behalf of basil read. Should this matter be ruled in favor of the department during the court judgement of the main case, Basil Read will have to return the money to the department as directed by the court failing which the department will call upon the payment guarantee. This payment could not be processed earlier as the risk was higher since Basil Read was on business rescue and there were differing opinions in the legitimacy of the claim between the regional office and head office. If it was paid earlier without the court ruling on the matter there wouldn't have been any payment guarantee raised by Basil Read, leaving the department exposed to a higher risk of not ever getting the money back in future.

The department was correct not to effect payment because the Business Rescue process was announced the same time in June 2018 and the Directors no longer had control and access to the accounts of the company. Hence the banking details changed from ABSA to Nedbank which the BR practitioners had access and control over. Management of the company no longer had control of the company.

Kindly refer to the link for more details on the business rescue.  
<https://matusonassociates.co.za/basilread/>

### **Auditor's conclusion**

Management response is noted, however should PMTE paid the contractor when due, the interest expense should have not been incurred, thus the interest expense should have been avoided. Therefore the finding remains .

## **HO COFF 59 : Audit finding: Lease expenditure and fruitless and wasteful expenditure**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

Annexure A par 5-7 of the National Treasury Instruction 3 of 2019/20 states that “*5. Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources*

8. *Evaluation of incidents into circumstances that could lead to fruitless and wasteful expenditure –*
  - d) *Evaluation of an incident(s) - An evaluation of an incident that may lead to the unintended occurrence of fruitless and wasteful expenditure*
  - e) *Exercising reasonable care - Action, procedure or operation undertaken by the employee(s) or another relevant function in responding to the possibility of incurring fruitless and wasteful*
  - f) *Examination of negligence - Confirmation of whether the action, procedure or operation of exercising reasonable care was disregarded by employee(s) or another relevant function to prevent fruitless and wasteful expenditure*
9. *Fruitless and wasteful expenditure must fulfil the following conditions in the definition –*
  - (a) *expenditure must be made in vain; and*
  - (b) *such expenditure would have been avoided had reasonable care been exercised.*

## 1. Nature

During the audit of Receivables from exchange transactions (Prepaid expenses – leases), we noted overpayments made to landlords in terms of privately owned leased properties in the current year. A provision for impairment was raised concerning these overpayments as listed in table A below.

### **Assessment of Fruitless and wasteful expenditure**

#### Expenditure made in vain

The balance of overpayment as at year-end is impaired as the resultant commitment is higher than the amount overpaid. This expenditure has been recognised in the income statement. This was incurred in vain as it is expected that the overpayment will not be recovered as there is no remaining commitment. In certain instances there is no commitment as the contract has expired and there is no future recovery of this amount.

#### Expenditure would have been avoided had reasonable care been exercised

The trading entity could have avoided the overpayment should they have implemented internal controls such as performing regular reconciliations for lease payments in order to identify over/underpayments timely to ensure that lease payments are in line with the lease agreements.

This result in a fruitless and wasteful expenditure amounting to R118 380 233,10

Table A

No	Landlord Code	Landlord name	Impairment amount
1	MPW0010005224	O'KEEFFE AND SWARTZ CONSULTANTS	- 2 573 910,75
2	MPW0010005538	RHULANI BALOYI	- 85 439,46
3	MPW0010006151	PATRICK KOORAPETSE LOBAKENG	- 1 681 057,89
4	ZPW0000004489	200 pietermaritz street pty lt	- 367 996,82
5	ZPW0000004941	Kili Trust	- 603 013,33
6	ZPW0000005341	Setsoto - FS Local Municipality	- 991,40
7	ZPW0000006438	DIE ANDRE EN RITA-MARIE BARNARD TRU	- 333 120,26
8	ZPW0000006445	FOCHVILLE LANDGOED	- 206 047,00
9	ZPW0000006468	Caroto	- 81 727,01
10	ZPW0000006480	Steve tshwete local municipali	- 46 530,93
11	ZPW0000006510	Goncalves brothers (pty) ltd	- 226 362,34
12	ZPW0000006514	Property payment solutions (pt	- 438 008,65
13	ZPW0000006622	Npa – Durban	- 1 634 440,07
14	ZPW0000006647	ESHOWE CENTRE PROPERTIES	- 1 045 774,36
15	ZPW0000006680	Lengro mercantile property inv	- 195 961,47
16	ZPW0000006703	Victor Khanye - MP Local Municipali	- 964 019,82
17	ZPW0000006705	Ekurhuleni Metropolitan Munici	- 23 759,42
18	ZPW0000006760	CRAMOND PLACE	- 30 074,42
19	ZPW0000006800	Elias Motsoaledi - LP Local Municip	- 50 528,48
20	ZPW0000006805	Howick Stocklands Cc	- 293 671,67
21	ZPW0000006870	Transnet property	- 1 363 477,80
22	ZPW0000006902	Ethekwini Metropolitan Municipality	- 18 215,44
23	ZPW0000007031	Barend van erkom fund pty ltd	- 1 689 539,99
24	ZPW0000007057	Transnet property kwazulu nata	- 101 619,83

No	Landlord Code	Landlord name	Impairment amount
25	ZPW0000007097	Dandelton investment pty ltd	- 1 625 660,81
26	ZPW0000007108	Osizweni Education and Development	- 180 898,56
27	ZPW0000007276	Sonlee trust	- 68 131,69
28	ZPW0000007287	Sa post office ltd	- 459 355,08
29	ZPW0000007288	J siriopoulos	- 8 614,18
30	ZPW0000007363	Van zyl familie trust	- 194 776,99
31	ZPW0000007407	Goss p	- 70 892,04
32	ZPW0000007428	Intsika Yethu - EC Local Municipali	- 75 798,81
33	ZPW0000007483	FIRST PROPERTY TRUST	- 1 539 522,72
34	ZPW0000007502	GRANTHAM HOLDINGS	- 232 943,98
35	ZPW0000007508	BKB	- 23 739,99
36	ZPW0000007591	Loupou	- 3 006,32
37	ZPW0000007616	GROWTHPOINT MANAGEMENT SERVICES	- 1 919 872,12
38	ZPW0000007691	Jf venter will trust	- 4 165 655,34
39	ZPW0000007781	Roux	- 7 536,56
40	ZPW0000007784	DOWNTOWN INVESTMENTS	- 11 599 726,48
41	ZPW0000007817	WILSTAN HOLDINGS	- 2 818 393,98
42	ZPW0000007837	Dinabi beleggings b k	- 183 708,56
43	ZPW0000007869	TRANSNET	- 63 725,02
44	ZPW0000007888	UPBEATPROPS 143	- 85 507,71
45	ZPW0000007929	SENTECH	- 26 796,90
46	ZPW0000007950	Redemption estates cc	- 33 064,67
47	ZPW0000007976	Leslie centre pty ltd	- 73 280,16
48	ZPW0000007981	MTO FORESTRY	- 55 677,72
49	ZPW0000007983	Erf 1333 property trust	- 9 111,40
50	ZPW0000008005	Tetra mobile radio	- 49 378,30
51	ZPW0000008030	Molo investment trust	- 17 272,45
52	ZPW0000008043	Council for Scientific and Industri	- 288 654,48
53	ZPW0000008050	South african post office limi	- 5 896,59
54	ZPW0000008089	N Z MTSHABE	- 51 655,83
55	ZPW0000008098	Jhina centre cc	- 178 133,96
56	ZPW0000008157	Eastern cape development corp	- 3 358,59
57	ZPW0000008185	The State Theatre	- 117 000,01
58	ZPW0000008194	Northmeyer edms bpk	- 499,62
59	ZPW0000008269	Telkom rental income (broll)	- 139 723,96
60	ZPW0000008276	Deltastraat beleggings	- 2 927 464,46
61	ZPW0000008490	F p c beleggings (edms) bpk	- 59 186,39
62	ZPW0000008558	Malan	- 1 398 251,07
63	ZPW0000008613	TELKOM SA	- 62 957,28
64	ZPW0000008985	Ranprop property trust	- 306 768,22
65	ZPW0000009030	Marais	- 40 859,05
66	ZPW0000009054	Primo Negotium Holdings Pty Lt	- 161 931,32
67	ZPW0000009113	Kanivest 3146 cc	- 4 155 248,50
68	ZPW0000009148	W D SALUKAZANA AND SONS COMPUTER CO	- 23 130,83
69	ZPW0000009176	Broll Property Group	- 528 441,68

No	Landlord Code	Landlord name	Impairment amount
70	ZPW0000009509	Die casabel 10 trust	- 76 473,43
71	ZPW0000009569	NAD PROPERTY INCOME FUND	- 349 888,89
72	ZPW0000009571	Visser	- 61 726,00
73	ZPW0000009600	TRIFECTA TRADING 434 PROPERTY 9	- 334 923,00
74	ZPW0000009917	SILVER MEADOW PROPERTIES 142	- 1 504 565,43
75	ZPW0000010117	Ima rent collector 4 cc	- 567 100,05
76	ZPW0000010121	Jfi nhlabathi cc	- 561 182,87
77	ZPW0000010220	Lakeside city trading 171 (pty)	- 1 162 696,05
78	ZPW0000010268	THE JOHANNESBURG LAND COMPANY	- 3 295 367,66
79	ZPW0000010306	Transnet property	- 33 537,76
80	ZPW0000010719	Ntabankulu - EC Local Municipality	- 1 058 391,70
81	ZPW0000010747	Dagada	- 141 912,80
82	ZPW0000010767	Diemuo sake (pty) ltd	- 41 013,79
83	ZPW0000010863	COPPER LAKE INVESTMENTS 12	- 223 856,41
84	ZPW0000010891	V AND A WATERFRONT HOLDINGS	- 2 315 934,61
85	ZPW0000010954	Dormell properties 385 (pty) l	- 356 040,25
86	ZPW0000011296	REDEFINE PROPERTIES	- 643 802,41
87	ZPW0000011351	REDEFINE PROPERTIES	- 386 668,81
88	ZPW0000011439	Candle Of Life Trust	- 33 060,00
89	ZPW0000011460	Pure silk invest 10 (pty) ltd	- 3 304 162,84
90	ZPW0000011462	Machine & general transport (p	- 231 667,56
91	ZPW0000011698	The P Ranchhod Family Trust	- 1 181 602,34
92	ZPW0000011749	Calooney investments 108 (pty)	- 7 547,51
93	ZPW0000011774	Free state development corpora	- 6 197 928,77
94	ZPW0000012351	HARBOUR POINT TRUST	- 19 942,93
95	ZPW0000012353	FILIGREE TRADING AND INVESTMENT 107	- 509 414,87
96	ZPW0000012618	Jhi properties pty ltd	- 1 630 145,85
97	ZPW0000013076	Kriel	- 10 776,52
98	ZPW0000013492	PLANET WAVES 210	- 406 558,35
99	ZPW0000013508	Die wouter weilbach trust	- 11 377,47
100	ZPW0000013544	Ecpg road & public	- 25 587,91
101	ZPW0000014086	South african post office limi	- 21 715,51
102	ZPW0000014132	French riviera investments pty	- 2 050 033,41
103	ZPW0000015306	Erf 14817 tamsui dustria cc	- 508 602,63
104	ZPW0000015342	The martin kruger familie trus	- 2 514,55
105	ZPW0000019608	Telkom rental income (broll)	- 46 659,55
106	ZPW0000020033	SOUTHEY HOLDINGS	- 1 503 716,10
107	ZPW0000020442	Amathole forestry co pty ltd	- 4 160,11
108	ZPW0000021493	Breytenbach m m mrs	- 52 670,29
109	ZPW0000026631	Theewaterskloof - WC Local Municipa	- 10 827,25
110	ZPW0000027900	TALIS PROPERTY FUND	- 114 141,12
111	ZPW0000030825	Interpark south africa(pty)ltd	- 134 968,00
112	ZPW0000030973	M PROJECTS	- 494 783,63
113	ZPW0000035729	Prasa (passanger rail agency o	- 781 221,53
114	ZPW0000050015	Delta - land claims	- 5 689 958,42

No	Landlord Code	Landlord name	Impairment amount
115	ZPW0000050689	KARABO PARKING MANAGEMENT	- 3 959 856,08
116	ZPW0000050778	IZIHAMBI TRADE AND INVEST 7	- 8 633,60
117	ZPW0000051393	Falcodor 145 cc	- 250 257,02
118	ZPW0000051451	Chestnut grove farming	- 50 375,55
119	ZPW0000051841	FINOCHRON TRADING	- 36 167,53
120	ZPW0000051908	Laritza investments no2 (pty)	- 171 461,85
121	ZPW0000052084	SOMNIPOINT	- 1 234 145,40
122	ZPW0000052652	FINOCHRON TRADING	- 1 387 078,69
123	ZPW0000052653	FINOCHRON TRADING	- 111 771,66
124	ZPW0000053065	Becker	- 8 842,36
125	ZPW0000054175	Bms foods (pty) ltd	- 3 206 152,55
126	ZPW0000054182	K2012150042 (South Africa)	- 11 056 919,52
127	ZPW0000054971	The Cadiz Property Investment Trust	- 760,27
128	ZPW0000055738	LETLOTLO LA BOGOSI SUPPLY N PROJECT	- 260 218,29
129	ZPW0000057343	BROLL PROPERTY GROUP	- 372 046,08
130	ZPW0000057448	Eris property group (pty) ltd	- 2 588 490,81
131	ZPW0000057604	Dr carl a seele	- 30 704,87
132	ZPW0000058358	MASIHA PROPERTY HOLDINGS	- 1 633 466,04
133	ZPW0000058914	Kruger investment trust	- 57 183,75
134	ZPW0000059371	EXCELLERATE REAL ESTATE SERVICES	- 67 017,15
135	ZPW0000059929	FREESTONE PROPERTY INVESTMENTS	- 385 633,97
136	ZPW0000060188	SILVER MEADOW PROPERTIES 142	- 27 296,84
137	ZPW0000060744	KIGO TRADING	- 3 251 808,19
138	ZPW0000062320	MONTEAGLE PROPERTY HOLDINGS	- 26 619,11
<b>Total</b>			<b>- 118 380 233,10</b>

## Impact

The above may result in the following:

- Non-compliance with section 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Fruitless and wasteful expenditure disclosure note is understated by R118 380 233,10

## Internal control deficiency

### *Financial and performance management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

Internal procedures and internal control measures in place for the renewal/termination of leases were not adequate, or were not implemented as fruitless and wasteful expenditure was incurred.

## Recommendation

It is recommended that:

- Management must ensure that financial statements and supporting schedules are adequately reviewed before submission for audit.

Management should perform a thorough review of the accruals and prepayment schedule and update it accordingly to ensure that the balances per landlord is valued accurately.

**Management response:**

Awaiting management response

**Auditor's conclusion**

Management response is not submitted. The finding will remain and be reported.

## **PTA COFF 11 - Extension of time with financial impact (penalties paid because of strikes, riots & unrest)**

### **Requirements**

Public Finance Management Act paragraph 38 (1)(c)(ii) states that "*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*"

Public Finance Management Act paragraph 38 (1)(g) states that: "*The accounting officer for a department, trading entity or constitutional institution must on discovery of fruitless and wasteful expenditure, immediately report, in writing, particulars of the expenditure to the relevant treasury;*"

Public Finance Management Act paragraph 38 (1)(h) states that: "*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department or constitutional institution who makes or permits fruitless and wasteful expenditure*"

Public Finance Management Act paragraph 38 (1)(h) states that: "*The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department or constitutional institution who makes or permits fruitless and wasteful expenditure*"

Public Finance Management Act paragraph 45(b) states that: "*An official in a department, trading entity or constitutional institution is responsible for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility.*

Treasury Regulation 8.1.1 state that "*The accounting officer of the institution must ensure that Internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported on.*"

Treasury Regulation 8.2.1 states that "*An official of an institution may not spend or commit public money except with the approval (Either in writing or duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.*"

Treasury Regulation 8.2.2 states that "*Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or condition attached to the delegation or authorisation.*"

Treasury Regulation 9.1.1 state that "*The accounting officer of a trading entity must exercise all reasonable care to prevent and detect fruitless and wasteful expenditure and must, for this purpose, implement effective, efficient and transparent processes of financial and risk management.*"

## **Nature**

During the audit of 2019-2020 financial period, a finding was raised with respect to Construction of a new building Magistrate court (PMTE PTA COFF 07), wherein we noted weaknesses in the contract management processes. The finding focused on the claims submitted by the service provider resulting from delays. We have subsequently revised the finding to focus on penalties paid due to **strikes, riots and unrest**.

### **Nature of the prior year finding**

#### **WCS: 044028**

During the audit of the contract management, we noted that the authorized amount on the project exceeded the original contract price for project WCS No: 044028: *Construction of a new building Magistrate Court*. The increase resulted from the penalties charged by the contractor to Property Management Trading Entity due to delays experienced on the project not caused by the contractor. The penalties were charged based on the JBCC 2000 PRINCIPAL BUILDING AGREEMENT.

The contractor charges the entity an amount of R24 283.26 per day on the approved extensions. We have inspected the request for extensions and the internal memorandums prepared by the entity which detail the reasons for the delays. Memorandums included the number of days requested by the contractor and the financial impact expected from the extension. Through the inspection of the internal memorandums and the application for extension of contract period (PRM 040). We have noted that the delays were due to strikes, riots and lockout. (**Claim 4, 5, 8 & 9**)

#### **JBCC contract assessment**

Through inspection of the JBCC Agreement clause 29.1. we further noted that contract state that "*The circumstances for which the contractor is entitled to a revised of the date for practical completion and for which revision the principal agent shall not adjust the contract value in terms of 32.12 are delays to practical completion caused by*

*29.1.1 Increment weather*

*29.1.4 Vis major, civil commotion, riot, strike or lockout"*

Based on the JBCC contract, it is evident that the delays due to strikes, riots and lockout should not have a financial impact. Based on the approved claims, we noted that these extensions has a financial impact where the contract value was adjusted. This was not in line with JBCC contract clause 29.1.

### **Nature of the current year finding**

#### **Delegation of authority assessment (CPM)**

We have also inspected the delegation of authority signed on the 08 December 2009. Based on the *general notes and condition 2* on the approved delegation, any decision regarding the extension of contract needs to be based on the conditions of the contract. The approval of claim 4, 5, 8 & 9 were not in line with the conditions of the contract. Management did not comply with the delegation of authority when approving claims. This is a non-compliance with Treasury regulation 8.2.2.

#### **Paragraph 7.4 of the PM delegations 2008 & 2009.**

7.4 Approval of the extension of contract periods		
Lowest Level of Allocated Power	Maximum Financial Level of Power	Condition(s) Pertaining to Exercising of Power
D/Project & M D/Prof Services DPM Sup R D/Spec Projects TM	All Projects unlimited	Upon recommendations of Principal Agent and PM.
<b>General Notes and Conditions</b>		
1. Decisions regarding the approval of the extension of contract periods in most cases have far reaching financial- and other implications and great care must therefore be taken when this power is exercised 2. Any decision regarding the extension of contract periods has to be purely based on the Conditions of Contract: the decision-taker has no opportunity to exercise any discretion in reaching the decision 3. The contract must be administered to the letter of the word thereof: aspects like "reasonability", "the Contractor delivered work of good quality – therefore he/she must be accommodated", "the Contractor always gave good co-operation" etc must have no bearing on the decision to be taken – the Contractor contracted with the Department at a price to deliver these 4. If at all in doubt as to the decision to be taken, the officials allocated the power to decide in matters of extension can request the CD/Prof Services assistance and advice 5. Once a decision has been made within the parameters set above and the Contractor has been informed thereof, such decision can not be revoked again		

## Nature of the prior year finding

Claim No.	Reason for the delay as per the request for extension and Memos.	No of days	Financial impact
4	<p><b>Claim 4</b></p> <p><b>Internal memo approved: 13 September 2016 [Paragraph 3.2]</b>  <i>"The community prevent the suppliers from entering the site to deliver the concrete for the slab to be cast. They also didn't allow the truck with the steel for the slabs to deliver and they threaten the drivers that they will burn their trucks if they try to enter the site. The contractor had to pay the suppliers for the deliveries which didn't get due to the community preventing them from entering the site. The contractor was delayed for a long period and they claim <b>82 working days</b> as per 29.1.2 as per JBCC 2000 Principal Agreement.  It is recommended that the 82 working days be granted because it want the contractor that courses the delay but the community."</i></p> <p><b>Application for extension of contract period: Claim 4 (PRM 040)</b>  <i>"The extension of the contract time by <b>33 working days</b> is supported because of a site lock-out. The notice of delay date was within the prescribed time and the actual claim was made within the 60 working day period prescribed in the JBCC."</i></p> <p><b>Letter dated 21 July 2015, 25 August 2015 &amp; 04 November 2015 from Fikile Construction</b>  <i>"We refer to NOD 20 &amp; 21 - these delays were related to the strike on site from 21 July 2015 until 3 September 2015. We request for an extension of time of 33 working days. Work resume on 4 September 2015."  Notification of delay (ND20): Local community is interfering with deliveries, concrete truck full and Rebar delivery from Steeldale send back by community leaders. These acts are delaying the Project."  Notification of delay (ND21): Vis major, civil commotion, riot, strike or lockout."</i></p> <p><b>Auditors comment:</b>  Through inspection of the reasons given for this claim, we have confirmed that it is due to strike by the community resulting in the civil unrest on site. Based on the JBCC Principal Agreement, any delays resulting from Vis major, civil commotion, riot, strike or lockout does not attract the Contract Price adjustments. We have noted the days claimed by the contractor resulted in the contract value being adjusted by the penalty charge per day which is not in line with JBCC Principal Building Agreement clause 29.1.4. This indicates a possible fruitless and wasteful expenditure.</p> <p>Furthermore, we have noted that under claim 4, the principle agent recommended R22 390.68 cost per day on this claim, however the approved claim was calculated based on the R24 283.26 cost per delay. This resulted in the financial loss of R 62 455.14 calculated on the 33 days approved.</p>	33	R 801 347.58
5	<p><b>Claim 5</b></p> <p><b>Application for extension of contract period: Claim 5 (PRM 040)</b>  <i>"The extension of the contract time by <b>27 working days</b> is supported because of a strike by bricklayers on site. The notice of delay date was within the prescribed time and the actual claim was made within the 60 working day period prescribed in the JBCC."</i></p> <p><b>Letter dated 04 November 2015 from Fikile Construction</b>  <i>"We refer to NOD 22 - these delays were related to the strike by bricklayers on site. When we resumed work on 4 September 2015, all the bricklayers refused to work until we increased their rates. After lengthy negotiations we managed to reach a settlement on 12 October 2015. Work resumed on 13 October 2015. All brickwork was on the critical path of the project- delays to the surface bed and knock on effect of the formwork to slabs to the first floor were all affected. The work that actually took place on site during this period was not critical (brickwork</i></p>	27	R655 648 .02

Claim No.	Reason for the delay as per the request for extension and Memos.	No of days	Financial impact
	<p><i>was the critical path activity) and therefore we claim the entire period of delay from 4September 2015 until 12 October 2015. We request for an extension of time of 27 working days.”</i></p> <p><b>Auditors comment:</b> Through inspection of the reasons given for this claim, we have confirmed that it is due to strike by the community resulting in the civil unrest on site. Based on the JBCC Principal Agreement, any delays resulting from Vis major, civil commotion, riot, strike or lockout does not attract the Contract Price adjustments. We have noted the days claimed by the contractor resulted in the contract value being adjusted by the penalty charge per day which is not in line with JBCC Principal Building Agreement clause 29.1.4. This indicate a possible fruitless and wasteful expenditure.</p> <p>Furthermore, we noted that principal agent indicated the CPA is not supported as the claim is based on JBCC 29.1.4. There is no indication that this was considered when the claim was approved since the claim was approved with the financial implications of R655 648.02.</p>		
8	<p><b>Claim 8</b></p> <p><b>Internal memo approved: 13 September 2016 [Paragraph 3.4]</b>  <i>“This is the second time the contractor wants cast the concrete for the first floor and again the community remove the workers from the site so that the contractor cannot cast the first floor. The concrete suppliers had to remove all the trucks that was on site as the community threaten that they will burn their trucks if don't leave the site. the contractor was busy to cast concrete and had to redo the whole first floor as they couldn't vibrate the concrete and also has to leave the site for the safety of the workers. The contractor claims 6 days but together with the PA we only allow for 54 working days as for the delay as per JBBCC 200 Principal Buildings Agreement clause 29.2, 29.5 and 29.6.</i></p> <p><i>It is therefore recommended that the 54 days be granted as it was not the contractor that delay the project but the community.”</i></p> <p><b>Application for extension of contract period: Claim 8 (PRM 040)</b>  <i>“The extension of the contact time by 20 working days is supported because of the civil unrest in the Mamelodi township, refer to NOD 35, and as result thereof the concrete pour were brought to sudden halt and left incomplete. Remedial work to slab had to be done after instruction of structural engineer.”</i></p> <p><b>Letter from the contractor dated 23 June 2016: Fikile Construction (Pty) Ltd (Paragraph 4.1 &amp; 4.2)</b>  <i>‘Strike action in site closure and abandoning a concrete cast whilst in progress.</i>  <i>The contractor confirms that the site was closed on 21 June 2016 due to civil unrest as alleged results of Thoko Didiza being nominated as the African National Congress's mayoral candidate for Tshwane. The contractor confirms that a concrete pour, was in the process of being concreted when the site was brought to a sudden halt. This in turn resulted that the works were left unfinished and such a state that it has to be surveyed and majority of the works has to be re-constructed. The contractor confirms that remedial works to the said re-enforced concrete slab commenced on 25 June and the slab was re-concreted on 18 July 2016.”</i>  <i>As a result of the above, the contractor has suffered delays associated with the completion of the project of 20 working days.”</i></p> <p><b>Auditors comment:</b> The delay is due to civil unrest as alleged results of Thoko Didiza being nominated as the African National Congress's mayoral candidate for Tshwane. These delays result from Vis major, civil commotion, riot, strike or lockout. Delays from such actions doesn't attract the contract value adjustment as per the JBCC 2000 Principal Building Agreement</p>	54	R1 311 296,04

Claim No.	Reason for the delay as per the request for extension and Memos.	No of days	Financial impact
	<p>clause 29.1.4. This indicate a possible fruitless and wasteful expenditure.</p> <p>Furthermore, through inspection of the contractors request for the extension and the principal agent's recommendation, we have noted that the delay was for 20 working days. However, on the internal memorandum approved by the entity, the number of delays awarded were 54 working days. This is concerning since the number of delays awarded exceeds the number of delays requested and recommended. This resulted in the financial loss of R825 630.84 due to the additional claim of 34 days which is not supported by the principal agent.</p>		
	<p><b>Claim 9</b></p> <p><b>Internal memo approved: 24 May 2017 [ Circumstance E]</b></p> <p><i>"The claim relates to 10 working days lost between 16 August 2016, 23 August 2016 and 06 September 2016, which civil unrest occurred affecting works on site as follows:</i></p> <ul style="list-style-type: none"> <li>- For safety reasons site access closed on the 23 August 2016, 29 August 2016 and 06 September 2016.</li> <li>- Concrete for of 29 August 2016 postponed to 5 September 2016, and 5 September 2016 but could not due to delivery vehicles access being blocked.</li> <li>- Work could only re-commenced on the 9 September 2016.</li> </ul> <p><i>It is therefore recommended that the 10 days be granted as it was not the contractor that delay the project but the community that stop the delivery vehicles from delivery. The delay was course send calculated thereof as per JBBC 2000 Principal Building Agreement in terms of cause 29.6.2."</i></p> <p><b>Application for extension of contract period: Claim 9 &amp;10 (PRM 040)</b></p> <p><i>"The extension of the contract time by 75 working days is supported because of the civil unrest in Mamelodi township (10 working days) and the lack of information required from Consultant (65 working days). If approved, the date for practical completion will be 05 July 2017."</i></p>		
9	<p><b>Letter from the contractor dated 21 October 2016: Fikile Construction (Pty) Ltd (Paragraph 4.1 &amp; 4.2)</b></p> <p><i>"Strike action resulting in site closure</i></p> <p>The contractor confirms that the site was closed on 23 August 2016, 29 August 2016 and 6 September 2016 due to civil unrest in and around the Mamelodi area, compromising safety on site. The contractor confirms that a concrete pour was scheduled for the 31 of August 2016 and due to the fact that site had to be vacated pm 29 August 2016, the pour had to be re-scheduled. The only next available date for ready mix concrete was on 5 September 2016 of which the contractor could commence and complete the said pour. Furthermore, on 6 September the site was again vacated due to unrest and works only re-commenced on 9 September 2016.</p> <p><i>As a result of the above, the contractor has suffered delays associated with the completion of the project of 9 working days."</i></p> <p><b>Auditors comment:</b> The number of extra days recommended by the entity were 10 working days. The delay is due to Strike action resulting in site closure: Civil unrest in and around the Mamelodi area, compromising safety on site. These delays result from Vis major, civil commotion, riot, strike or lockout. Delays from such actions doesn't attract the contract value adjustment as per the JBCC 2000 Principal Building Agreement clause 29.1.4. This indicate a possible fruitless and wasteful expenditure.</p>	10	R 242 832,60
	<b>TOTAL DELAYS</b>	<b>124</b>	<b>R 3 011 124.24</b>

## **Nature of the current year finding**

We have also noted the following discrepancies between the approved claims and supporting documents in relation to claim 4, 5 & 8. This has been taken into account on the table above. This will result in the non-compliance of treasury regulation 8.1.1 since the trading entity did not ensure internal procedures and internal control measures were in place for the approval and processing of payments. The payments processed should have been supported by valid evidence.

Information from original consultation				Additional information from supporting documentation				Difference
Claim No.	No of days	Cost per day	Financial impact R	No of days	Cost per day	Comment	Financial impact R	Financial impact R
4	33	24 283.26	801 347.58	33	22 390.68	PA indicated the CPA rate calculated by the QS should be regarded as applicable	738 892.44	62 455.14
5	27	24 283	655 648.02	27	-	PA indicated the CPA is not supported as the claim is based on JBCC 29,1,4	-	655 648.2
8	54	24 283.26	1 311 296	20	24 283.26	The actual claim and mail from PA is for 20 days and not 54 days	485 665.20	825 630.8
<b>Total</b>			<b>2 768 291.64</b>				<b>1 224 557.</b>	<b>1 543 734.00</b>

### **Impact**

- Non-compliance with PMFA 45(a) and treasury regulation 8.2.2.
- Non-compliance with treasury regulation 8.1.1
- The expenditure paid in vain which could have been avoided will result in fruitless and wasteful expenditure. Misstatements of fruitless and wasteful expenditure disclosed amount.
- A possible financial loss of R3 011 124.24 resulting from the expenditure incurred due to the extension of time which had a financial impact.

### **Internal control deficiency**

#### *Leadership*

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

#### *Financial and Performance Management*

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

Management didn't monitor the projects appropriately in order to ensure that the project is completed within the agreed time frames.

All the necessary information required to execute the projects when not always submitted on time to the contractor to avoid delays which will result in the financial loss for the entity.

Management has not taken the proactive steps to recover the financial loss from the responsible person where the penalty was paid to the contractor resulting from the delays.

## **Recommendation**

It is recommended that management should ensure the entity complies with all applicable laws and regulations.

It is recommended that management should ensure:

- All projects are monitored regularly and all the necessary information and documents are provided to the supplier timeously to avoid delays.
- The consultants work should be monitored by the project managers and all the reports/ drawings prepared by consultants should be checked for accuracy and be delivered to the contractor timeously.
- Access to the construction sites should be organized before the construction commence.

It is recommended that management should assess the reasons for the delays against the JBCC 2000 PRINCIPAL BUILDING AGREEMENT in order to avoid making unnecessary payments were the delays are covered under JBCC contract clause 29.1.

It is recommended that management should conduct an investigation on all significantly delayed projects to determine the reasons for the delay as well as the financial loss incurred by the entity. The fruitless and wasteful expenditure assessment should be conducted to identify expenditures that could have been avoided by the entity.

Where the financial loss results from the consultant not performing as per the contract, the fruitless and wasteful amount should be recovered from them. If the financial loss is caused by the PMTE officials, the disciplinary processes should be followed to ensure that the money is recovered from the implicated individual.

## **Management response**

Management provided a detailed management response on the PTA COFF 07 of 2019 – 2020 raised in the previous year. As we have revised the COFF in the current year, **we will like to give management an opportunity to comment on the revised COFF before we can conclude.** Management provided the following response in the previous year.

### **Prior year Management Response**

Management is partially in agreement with the finding. The for the following need to be taken into account:

#### **Introduction**

##### **Site deed of donation and registration by City of Tshwane**

The Mamelodi sites where the Magistrate Court is being constructed was donated by City of Tshwane (CoT) to DPWI. There was a need to consolidate and register the sites into Asset Register. However, registration has not been finalized yet and this adversely affected the whole process.

Due to none consolidation and registration of sites to DPWI's Assets Register the CoT Municipality refused to accept any submissions of documents relating to the projects for approval or any request.

During the year 2014 CoT allowed DPWI to commence with construction on one site and subsequently the other.

##### **Challenges during Construction due to Political Landscape in SA**

The year 2014 was a very politically fragile where the local communities engaged on drive to force their participation on the project as laborers and sub-contractors. It was the case with the Mamelodi Magistrate Court after DPWI handover of the site the community quickly came and demande

participation on the project. This affected the specification of the project negatively as the project was planned as follows:

- To appoint main contractor who will appoint his own domestic sub-contractors and labourers of his choice
- To later on accommodate three specialist sub-contractors who will be appointed by Department of Justice and Constitutional development, of which to date they have not yet been appointed

As a result of community demands which were violent and endangering lives, we have to introduce the following in order for the project to proceed:

Appoint a Community Liaison Officer to facilitate communication with the community

Force the contractor to appoint local laborers and sub-contractors

Source materials and plant locally

The above came with challenges which affected the contractors tendered prices, where there was no agreement there was commotion which threatened damaging properties, plant and endangering lives of the project team members. The situation was very hostile until a new Councilor was appointed.

### **Response to queries raised by AG**

#### **Claim no 4**

Management partially agree with the finding in that the reasons were not captured correctly

Due to changes in contract arrangements where the following was introduced to hostile situation on the ground:

- Appoint a Community Liaison Officer to facilitate communication with the community
- Force the contractor to appoint local labourers and sub-contractors
- Source materials and plant locally

The strike and riot referred to is not necessary external it was locally appointed sub-contractors who were working on the project who stopped working and demonstrated violently, this disrupted the programme hence financial implication was considered and approved (JBCC Clause 29.2.3), we are of the opinion cost implication is contractual. 27 working days were approved.

#### **Claim no 5**

Management partially agree with the finding in that the reasons were not captured correctly

Due to changes in contract arrangements where the following was introduced to hostile situation on the ground:

- Appoint a Community Liaison Officer to facilitate communication with the community
- Force the contractor to appoint local labourers and sub-contractors
- Source materials and plant locally

The strike and riot referred to is not necessary external it was locally appointed sub-contractors who were working on the project who stopped working and demonstrated violently, this disrupted the programme hence financial implication was considered and approved (JBCC Clause 29.2.3), we are of the opinion cost implication is contractual. 27 working days were approved.

#### **Claim 8**

Management partially agree with AG on the difference between day recommended by Principal Agent and what the CCPM Recommended

As per introduction the strike was from community members appointed and involved in the project, this disruption occurred when concrete was being casted, all planned operations had to come to a standstill. This affected contractor

- Delayed the planned programme
- Damages and loss on unfinished work which had to be demolished later and re done with cost implication
- Cost associated with concrete already bought ,paid and lined to come to the site
- Skilled and unskilled labourers lined for the whole operation

We are of the opinion that the contractor suffered financial losses which he had to be compensated and its contractual.

The CCPM will have to account why he recommended 54 day as opposed to 20 days recommended by the Principal Agent

#### **Claim no 9**

Management partially agree with the finding in that the reasons were not captured correctly

As per introduction the strike was from community members appointed and involved in the project, this disruption occurred when concrete was being casted, all planned operations had to come to a standstill. This affected contractor

- Delayed the planned programme
- Cost associated with concrete already bought ,paid and lined to come to the site
- Skilled and unskilled labourers lined for the whole operation

We are of the opinion that the contractor suffered financial losses which he had to be compensated and its contractual

Name: SEWADA DE

Position: DIRECTOR CPM

Date:2020/08/07

### **Current Years Management Response**

#### **Manager` s Response**

The Chief Construction Project Manager Mr. LN Francis was requested to respond to the finding, he responded the response was handed over to Labor Relations to charge him. Labor Relations has referred matter to Departmental Fraud and Internal Investigations for investigation so that based on the outcome the Department can then discipline the relevant parties.

#### **Auditors Conclusion**

In relation to COFF 4, 5, 8 & 9, we have provided the following auditors conclusion on PTA COFF 07 of 2019-2020. The revised auditor's conclusion will be added once management has given their comments on the finding

#### **Prior Year Auditors Conclusion**

#### **Response to claim 4. Claim 5, claim 8 & claim 9**

The delays result from the strike, riots and lockout. As per the JBCC 2000 PRINCIPAL BUILDING AGREEMENT, any delays due to Vis major, civil commotion, riot, strike or lockout should not have a financial impact. Management should investigate whether the penalties charged due to such delays are supported by the JBCC contract or not.

In relation to claim 8, It was noted that the number of days awarded were 54 days instead of 20 days recommended by the principal agent. Management should investigate the reasons for such differences.

The financial loss incurred by the entity as a results of such delays should be recorded as part of fruitless and wasteful expenditure.

**Current Years Auditors Conclusion**

Management response has been noted. The finding will remain and be reported.

## IRREGULAR EXPENDITURE

### PMTE HO COAF 43 – Allegations investigations

#### Requirements

The Public Finance Management Act (PFMA) section 38 (1) (c) (ii) states that: “The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...”

The Treasury Regulation par 4.1.1 states the following:-

“If an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that disciplinary proceedings are carried out in accordance with the relevant prescripts”

#### Nature:

#### Issue 1

During the audit of consequence management, management indicated that some of the investigations were completed in prior year(s) and submitted to the office of the DDG GRC, however, these reports were not provided to the auditor's and therefore we could not confirm the assertions made by management.

Or

Some of the allegations were said to be referred to the SIU for investigation in the prior years but no evidence was provided to confirm if SIU is conducting the investigation and the status of the investigations and therefore, we could not conclude if the allegations were/ are being investigated.

No .	Allegation	Management's Response	Investigations were conducted into allegations of financial misconduct committed by officials.	Impact
1	Allegation of Allegation of possible collusion and tender fraud by service providers at Bloemfontein Regional Office: (BLM/FAI/01/2019-2020)	Investigation Completed. Report submitted to Office of the DDG GRC for QAR on 05 February 2020.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
2	Allegation of irregularities found during the evaluation of bids at Johannesburg Regional Office: (JHB/FAI/08/2019-2020)	Report Attached (Tag A)	Inspected an internal memorandum written dated 14/04/2021 that in summary indicated that the investigation concluded that the allegations were unfounded and that the tender was not awarded because the validity period lapsed.  However the investigation report was not attached.	Limitation. The internal memo referred to by the Auditor constitute a preliminary closing memo, therefore the information was submitted and thus the finding by the Auditor is unjustifiable.

3	Allegations of receiving bribes from services providers appointed for cleaning services by DPWI official situated at Durban Regional Office: (DRB/FAI/02/2019-2020)	Investigation finalised report submitted to DDG GRC for QAR on 06 December 2019.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
4	Allegation of possible corruption and preferential treatment in the awarding of day-to-day maintenance and irregular appointment of a services providers by DPWI official in the appointment at the Polokwane regional office: (POL/FAI/01/2019-2020)	Investigation finalised. Report submitted to DDG GRC for QAR on 28 October 2019.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
5	Allegations into possible irregularities of awarding of tender for repairs and replacement of perimeter fencing ref. JHB 18/03: (JHB/FAI/02/2019-2020)	Investigation finalised report submitted to DDG GRC for QAR on 11 November 2019.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
6	Allegation of irregular disposal of a state-Owned Property: (JHB/FAI/03/2019-2020)	Referred to SIU for investigation on 18 July 2019.	Management did not indicate whether a proclamation was gazetted declaring that SIU should investigate these allegations and therefore, we could not confirm if the investigation was conducted or not. Management also did not provide the status of the referral supported by appropriate audit documentation.	Limitation Confirmation that the matter was handled by the SIU was provided to the Auditor on ....via RFI....thus the finding by the Auditor is unjustifiable.
7	Allegations of fruitless and wasteful expenditure incurred due to payments made to unoccupied building: (JHB/FAI/04/2019-2020)	Referred to SIU for investigation on 18 July 2019.	Management did not indicate whether a proclamation was gazetted declaring that SIU should investigate these allegations and therefore, we could not confirm if the investigation was conducted or not. Management also did not provide the status of the referral supported by appropriate audit documentation.	Limitation The matters were included under the Presidential Proclamation R 38. The Auditor did not request the Presidential Proclamation (Proclamation R38) from the Auditee, had such been done through RFI the information would have been provided accordingly. The above renders the finding by the Auditor unjustifiable under the circumstances.

8	Allegation of project mismanagement, corruption , fruitless & wasteful expenditure in respect of a project awarded within the Department: (JHB/FAI/01/2019/2020 )	Referred to SIU for investigation on 18 July 2019.	Management did not indicate whether a proclamation was gazetted declaring that SIU should investigate these allegations and therefore, we could not confirm if the investigation was conducted or not. Management also did not provide the status of the referral supported by appropriate audit documentation.	Limitation The matters were included under the Presidential Proclamation R 38. The Auditor did not request the Presidential Proclamation (Proclamation R38) from the Auditee, had such been done through RFI the information would have been provided accordingly. The above renders the finding by the Auditor unjustifiable under the circumstances.
9	Allegation of misuse of state vehicle and corruption by DPWI officials at Pretoria Regional Office: (PTA/FAI/02/2019-2020)	Investigation finalised report submitted to ADDG GRC for QAR on 11 December 2020.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
2 2	Allegation of illegal allocation of State house by DPW official to his family member at Durban Regional Office. (DRB/FAI/01/2018-19)	Investigation finalised report submitted to ADDG GRC for QAR on 10 February 2020.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
2 3	Allegation of illegal and unauthorised collecting of rental from State residential properties by DPW official at Mthatha Regional Office: (MTH/FAI/01/2018-19)	Investigation finalised report submitted to ADDG GRC for QAR on 10 February 2020.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.
2 4	Allegation of illegal transfer of State property to a private company: (JHB/FAI/03/2018-19)	Closing Memorandum submitted to the DG for approval on 21 January 2020.	Report not submitted to the auditors and therefore could not confirm factual accuracy of the assertion made by management and could evaluate the adequacy of the investigation.	Limitation This cannot be a limitation as the investigation is not yet finalised i.e. signed by AO. The Auditee did not submit the report due to any reluctance but rather because it was not yet finalised, this cannot therefore be regarded as non-submission of required audit information / limitation.

## Issue 2

During the audit we followed on allegations that were reported in the prior years and noted that the following allegations were not investigated as 31 March 2021

Allegation	Management's Response	Investigations were conducted into allegations of financial misconduct committed by officials.
Allegations of project mismanagement leading to Department incurring fruitless & wasteful expenditure incurred by Department: (PTA/FAI/01/2019-2020)	Referred to SIU on 18 July 2019 and subsequently returned to the department. The matter was re-submitted to the SIU on 24 June 2021.	The matter was not yet investigated as at 31 March 2021, <b>This matter is currently attended to by the SIU with the latest engagement between the Department and SIU held as latest as on 06/08/2021, it cannot therefore be correct that these matters are not being investigated.</b>
Allegations of project mismanagement leading to Department incurring fruitless & wasteful expenditure incurred by Department: (POL/FAI/02/2019-2020)	Referred to SIU on 18 July 2019 and subsequently returned to the department. The matter was re-submitted to the SIU on 24 June 2021.	The matter was not yet investigated as at 31 March 2021, <b>This matter is currently attended to by the SIU with the latest engagement between the Department and SIU held as latest as on 06/08/2021, it cannot therefore be correct that these matters are not being investigated.</b>
Allegations of project mismanagement leading to Department incurring fruitless & wasteful expenditure incurred by Department: (NEL/FAI/01/2019-2020)	Referred to SIU on 18 July 2019 and subsequently returned to the department. The matter was re-submitted to the SIU on 24 June 2021.	The matter was not yet investigated as at 31 March 2021, <b>This matter is currently attended to by the SIU with the latest engagement between the Department and SIU held as latest as on 06/08/2021, it cannot therefore be correct that these matters are not being investigated.</b>
Allegations of project mismanagement leading to Department incurring fruitless & wasteful expenditure incurred by Department: (DRB/FAI/03/2019-2020)	Referred to SIU on 18 July 2019 and subsequently returned to the department. The matter was re-submitted to the SIU on 24 June 2021.	The matter was not yet investigated as at 31 March 2021, <b>This matter is currently attended to by the SIU with the latest engagement between the Department and SIU held as latest as on 06/08/2021, it cannot therefore be correct that these matters are not being investigated.</b>

## Impact

Non-compliance with PFMA and the treasury regulations.

## Management response

I am not in agreement with the finding. This is based on the procedure followed in the department in relation to the investigations. Only an approved investigation report can be shared with external parties. Completed field work and not yet approved by the Accounting Officer is regarded as confidential. The register with updates was provided to AGSA.

## Auditor's conclusions

Management response has been noted however, paragraph 61 of the engagement letter states that “*Unrestricted access will be required to those within the entity with whom we determine it necessary to communicate regarding the audit. This will include discussions with the accounting officer, audit committee and senior management to gain an understanding of the auditee and to present the audit strategy. You are requested to avail your staff to assist during the audit whilst still observing lockdown regulations and social distancing.* **Supporting documents and other information required by the audit team should remain accessible.** Information and documents may be submitted in an electronic format, unless access to physical original documents is specifically required. Other methods of work such as the use of video technology may be used in instances where face-to-face contact is not possible/ preferred due to social distancing measures”

We acknowledge the letter submitted however, without the supporting evidence we cannot conclude otherwise, therefore, the finding is not resolved as all the information should be made available to AG on request.

**Requirements:**

The Public Finance Management Act (PFMA) section 40(1) (b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

The Public Finance Management Act (PFMA) section 38 (1) (c) (ii) states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...*”

*The Public Finance Management Act (PFMA) section 38(1)(h)(iii) states that “must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure”.*

Treasury regulations paragraph 8.1.1 states that “The accounting officer of an institution must ensure that internal procedures and internal control measures are in place for payment approval and processing. These internal controls should provide reasonable assurance that all expenditure is necessary, appropriate, paid promptly and is adequately recorded and reported.”

## Nature

### Issue 1

During the audit, we noted that investigations were conducted by the Anti-Corruption and Fraud Awareness Unit and concluded by the end of the 2020/2021 financial year and in some were conducted in the prior financial years. The investigations reports confirmed the allegations regarding irregular expenditure based on the assessments made by management, however the transactions are not included in the irregular expenditure register.

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment
1	JHB FAI/02/2018-2019	Tempering with tender documents after the closing date of the bid	Vhakula Trading and Projects	R300 000,00	The service provider should have been disqualified therefore the entire amount of the contract is irregular expenditure
2	HOFA1/04/2010/2020	Investigation into allegation of Maladministration and possible financial misconduct	Hlabioa	R852 852,00	Subsequent event - adjusting event the report was finalised on the 14/04/2021. Recommendation was to recover the losses from Mr Hlabioa for irregular expenditure incurred of R852 852 and fruitless expenditure of R139 409. Irregular expenditure is understated
3	HO/FAI/05/2017-18	Investigation into allegations of procurement irregularities and corruption between a service provider and officials of the department	K MAB Trading Enterprise CC (K MAB)	Not included in the report	The entity indicated that the award was cancelled but the cancellation letter was not provided for audit

### Issue 2

We followed up on audit issues of irregular expenditure that were communicated to management during the 2019/20 audit year, we identified that the irregular expenditure schedule and disclosure note were not updated to include the irregular expenditure transaction (s). Management did not conduct and finalise the assessment of these transactions despite there being sufficient time. Consequently, in instances where management is still not agreeing that the transaction is irregular, they should have followed the dispute process.

An amendment to irregular National Treasury Instruction No. 2 of 2019/2020 Irregular Expenditure Framework was made effectively from the 31 May 2021 which states that management have 30 days to conduct an assessment to confirm the alleged irregular expenditure meets the definition of irregular expenditure. If there are disputes regarding whether the alleged irregular expenditure meets the definition of irregular expenditure, the assessment process must be completed within a period of 3 months from the date the alleged irregular expenditure was reported to the accounting officer.

No	COFF ref #	Details of finding	Supplier's names	Amount per finding
1	<b>CPT COFF 06</b>	Incorrect procurement process followed - Award to supplier that was supposed to be disqualified as bidder didn't submit references listed on the DPW-09EC to be used to obtain the quality of work. Bidder didn't provide contactable references with the person's name and contact details/ Bidders must forward the standard template (attached in tender document) to the referees to complete and must attach to the document when submitting on closing date.	Superfecta Trading	R6 443 046.00
2	<b>COFF 02 JHB COFF 02 DBN</b>	Deviations reasons not justifiable	1. Lebato Development Projects R 184 968.00  2. Immaculate Cleaning & Hygiene Services (PTY) Ltd R 714 864.00  3. Immaculate Cleaning & Hygiene Services (PTY) Ltd R 475 754.00  4. Dinnys Business Enterprise R 483 700.00  5. Servicing and repair of seven (7) air conditioning R 494 407,02	R2 263 693.00
3	<b>HO COFF 37</b>	Deviated from normal procurement processes in purchasing the Lindela Repatriation Centre "Lindela" from Leading Prospect Trading 111 (Pty) Ltd. The DGs and minister's approvals were obtained before the auction process took place and the actual payment deviated from what was approved by the accounting officer. This approval was in line with the MVR value of R23 million, however the actual purchase of the property amounted to R60 million excluding auctioneer fees and value added tax without any clear basis.	Prospect Trading 111 (Pty) Ltd	R 37 000 000.00
4	<b>HO COFF 42</b>	Operating lease payments – Variation above 15% was not approved by National Treasury resulting in irregular expenditure on the Armaments Corporation of South Africa (ARMSCOR), the lease has been running on a month-to-month basis since the contract expired on 31 July 2004.	ARMSCOR	R 343 594 676.00
5	<b>JHB COFF 09</b>	We have noted that the professional team was appointed using a Nomination for a Routine Assignment (Rooster Appointments) for WCS 047918 Replacement and maintenance of boilers for a period of 24 months.  An amount of R6 283 562 (Above the 20% threshold) was approved by the PMTE without the required approval by the relevant delegation, in this case being	1. Tsepa Consulting CC R 4 061 928.00  2. B & L Quantity Surveyors R 1 145 682.00  3. DNMZ Consulting Engineers R 1 075 952.00	R 6 283 562.00

		National Treasury in line with the practice note.		
6	<b>HO COFF 59</b>	We have noted that the entity has a huge number of leases that are running on a month-to-month basis. There are leases that have been on a month to month for a period of more than five years, some even longer. Consequently, this has resulted in the trading entity spending amounts that exceed the set limit for extensions of contracts as required by Treasury Instruction note 3 of 2016 paragraph 9.	None	R 800 994 315.62
7	<b>PTA COFF 01</b>	During the audit of the supply chain management processes, we identified three request for quotations (RFQs) relating to the service of the same nature being procurement from different suppliers through the quotation process. Both RFQs had the same description: Security services at old Telkom towers.	1.Roshen Holdings R 499 675.00 2.Security24 Investment R 498 805.00 3.Nkarabe Protection Service R 498 990.00	R1 497 470.00

### **Issue 3**

During the interim audit several audit findings were raised and management agreed to auditors findings but these transactions are not included in the irregular expenditure

No	Region	Supplier name	Component identified	COFF #	Amount per finding
1	Mthatha	Sikhosonke Trading and Investment (Pty) Ltd	SCM	MTH COFF 02	R170 000
2	Mthatha	Mbokotho Investment T/A ZM Construction	SCM	MTH COFF 02	R25 977 836,00
3	Mthatha	1.Purple Pansy 101 CC	SCM	MTH COFF 02	R1 763 571,00
4.	Mthatha	1.BBF Safety Group Pty (Ltd)	SCM	MTH COFF 02	R103 714,00
5.	Mmabatho	Lindokuhle & FV Trading JV	SCM	MMB COFF 02	R24 323 342,34
6.	Mmabatho	FV trading enterprise (PTY) LTD	SCM	MMB COFF 02	R36 457 188,78
7	Mmabatho	1,Electricivil Trading 2. Letlotlo Gardening Cleaning and Construction 3. Active Boiler Energy	SCM	MMB COFF 01	R1 290 900,22

### **Issue 4**

During interim audit a number of audit findings were raised by Auditor General where management disagreed with the findings and auditors also disagreed with management and those transactions are not included in the irregular expenditure register as either being transactions that were still under assessment by management or confirmed transactions

No	Region	Supplier name	COFF #	Amount per finding
1	Polokwane	Mahlodi Lerato General Trading and Projects(Pty) Ltd	PLK COFF 01	R532 684.36
2	Capetown	Invested Property Fund PTY (LTD)	CPT COFF 01	R33 603 777,94
3	Capetown	MUDZUSI WAVHUTALI CIVILS	CPT COFF 02	R25 605 321.76
4	Capetown	Various suppliers	CPT COFF 013	R938 461,62
5	PE	4RGA electrical	GQB COFF 01	R5 650 000
6	DBN	Danira Enterprise	DBN COFF 02	R74 960

### **Issue 5**

During the year SIU issued R27 of 2015 to the entity, a follow up was made on the recommendations made by SIU and the transactions that were concluded as irregular expenditure were not disclosed in the irregular expenditure register by the entity.

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
1	Felix Novela	Cover quoting	R2 363 436,66	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non-compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
2	Mbikiza	Irregularities on term contracts	Not included in the report	Not disclosed	Not disclosed - Management need to quantify the amount of Irregular expenditure
3	Amamp	Irregularities on term contracts	Not included in the report	Not disclosed	Not disclosed - Management need to quantify the amount of Irregular expenditure
4	Vereeberg/ Heldenberg prison tenders	EPWP	Not included in the report	Not disclosed Unable to verify which transactions relate to this as no company name has been indicated.	Not disclosed - Management need to quantify the amount of Irregular expenditure
5	Sebushi Somo for work	Cover quoting	R2 609 647,68	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non-compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
6	Nevondo	Cover quoting	R358 000,00	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non-compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
7	Zwashu Trading	Allegations on EPWP	Not included in the report	None was disclosed as per conclusions made in 2018. refer to SIU Register.	SIU register not provided

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
8	Ibiyeni	Cover quoting	R1 005 357,10	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non-compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
9	Several suppliers	Fraudulent invoices supplied by service providers- Fruitless	Different amounts as per report	An amount of R112, 594.94 is disclosed in the irregular expenditure register for Rb82 Heights Trading and Projects.  An amount of R216, 373.51 has been disclosed as irregular expenditure for Keletsoyame Trading And Projects.	This is non-compliance with treasury regulation the entity should disclose the transaction as irregular expenditure

## **Issue 6**

During the audit, we noted that investigations were conducted by the Anti-Corruption and Fraud Awareness Unit and concluded by the end of the 2020/2021 financial year and in some were conducted in the prior financial years. It was noted that an award was made to a bidder who did not score the highest point. The recommendation in the report was that the department incurred irregular expenditure of R490 419, 47 and this whole amount is disclosed in the irregular expenditure register. The entity appointed a service provider who did not score the highest points therefore the whole amount of the contract R2 244 774.00 is irregular not only the difference of R490 419.47.

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment
1	HOFAI/03/2019/20	Investigations into allegations of irregular appointment of service provider	Nathoo Mbenyane Engineers	R2 244 774.00	The award was made to a bidder who did not score the highest point. The recommendation in the report was that the department incurred irregular expenditure of R490 419,47 and this whole amount is disclosed in the irregular expenditure register. The entity appointed a service provider who did not score the highest points therefore the whole amount of the contract R4 342 603.71 is irregular not only the R490 419,73

## **Impact of the finding**

### **Issue 1 and 5**

- Non-compliance with the Public Finance Management Act
- Non-compliance with Treasury Regulations
- Understatement of irregular expenditure by an unquantifiable amount as some of the transactions we do not have a value of the irregular expenditure.

### **Issue 2**

- Non-compliance with the Public Finance Management Act
- Non-compliance with Treasury Regulations
- Understatement of irregular expenditure by an R 1 198 076 762 plus any expenditure incurred on the transactions

**Issue 3 and 4**

- Non-compliance with the Public Finance Management Act
- Non-compliance with Treasury Regulations
- Understatement of irregular expenditure by total expenditure amount incurred on the transactions during the year

**Issue 5**

- Non-compliance with the Public Finance Management Act
- Non-compliance with Treasury Regulations
- Understatement of irregular expenditure by an R 1 754 354.53

**Internal control deficiency*****Financial and performance management***

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Lack of proper review of financial statements submitted for audit to ensure that they are accurate and complete. As the did not quantify the full extent of irregular expenditure for each instance of irregular expenditure identified through the audit process in both current and prior year to ensure that there are no further instances of irregular expenditure in the population that should be included in the irregular expenditure register

**Recommendation**

Management should conduct reviews on completed investigations and determined non-compliance resulting to irregular, fruitless and wasteful expenditure to ensure that the annual financial statements and supporting schedules (Irregular, fruitless and wasteful expenditure register) are updated with accurate and complete amounts.

Management must develop or enhance compliance procedures to ensure compliance with all prescribed laws and regulations. In addition, such procedures include enhancement of compliance checklists already developed.

Management should revisit the entire population to quantify the full extent of irregular expenditure register and adjust the financial statements

**Management response:**  
**Issue 1**

Management acknowledges the findings and wishes to respond as follows:

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment	Management Response
1	JHB FAI/02/2018-2019	Tempering with tender documents after the closing date of the bid	Vhakula Trading and Projects	R300 000,00	The service provider should have been disqualified therefore the entire amount of the contract is irregular expenditure	<p>The investigation report did not indicate any irregular expenditure. The contract was not awarded to Vhakula Trading and Projects, but it was awarded to the seconded highest scoring bidder which is Sunblue Trading &amp; Projects. There is no expenditure on this contract for Vhakula Trading and Projects. See attached appointment letter for Sunblue Trading &amp; Projects. Refer to <b>ANNEXURE A</b></p> <p><b>Auditors conclusion</b></p> <p>Management response has been noted inspected the appointment letter of Sunblue Trading &amp; Projects confirmed that the award was not made to Vhakula trading and projects therefore the finding is resolved</p>
2	HOFA1/04/2010/2020	Investigation into allegation of Maladministration and possible financial misconduct	Hlabioa	R852 852,00	Subsequent event - adjusting event the report was finalised on the 14/04/2021. Recommendation was to recover the losses from Mr Hlabioa for irregular expenditure incurred of R852 852 and fruitless expenditure of R139 409. Irregular expenditure is understated	<p>The investigation report was only signed off by the ADG on 15<sup>th</sup> of May 2021 and it was made available after submission of the disclosure note. However, the findings and recommendations have been taken into consideration and the transaction will be disclosed in the new financial year 2021/22 as the amount noted is immaterial as an adjusting event.</p> <p><b>Auditors conclusion</b></p> <p>Management response is noted therefore a follow up will be made in the next financial period</p>

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment	Management Response
3	HO/FAI/05/2017-18	Investigation into allegations of procurement irregularities and corruption between a service provider and officials of the department	K MAB Trading Enterprise CC (K MAB)	Not included in the report	The entity indicated that the award was cancelled but the cancellation letter was not provided for audit	<p>Management disagrees to the finding. There is no expenditure incurred against this contract. Cancellation letter was not issued and the contract was not implemented based on the finding.</p> <p><b>Auditors conclusion</b></p> <p>Management response has been noted however there's still no proof submitted that there was no expenditure that was incurred on this contract</p>

## Issue 2

Management takes note of the audit finding. The amended irregular expenditure framework was approved and took effect from 31 May 2021, and is not applied retrospectively, and will be applicable from 2021-22 financial year. Furthermore, each finding is responded to as stated on the below table.

No	COFF ref #	Details of finding	Supplier's names	Amount per finding	Management Response
1	<b>CPT COFF 06</b>	Incorrect procurement process followed - Award to supplier that was supposed to be disqualified as bidder didn't submit references listed on the DPW-09EC to be used to obtain the quality of work. Bidder didn't provide contactable references with the person's name and contact details/ Bidders must forward the standard template (attached in tender document) to the referees to complete and must attach to the document when submitting on closing date.	Superfecta Trading	R6 443 046.00	<p>Management takes note of the finding and will disclose the expenditure as under assessment.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
2	<b>COFF 02 JHB COFF 02 DBN</b>	Deviations reasons not justifiable	1.Lebato Development Projects R 184 968.00  2.Immaculate Cleaning & Hygiene Services (PTY) Ltd R 714 864.00  3. Immaculate Cleaning	R2 263 693.00	<p>Management agrees to the finding relating to COFF 02 JHB. The expenditure relating to:</p> <p>1.Lebato Development Projects</p> <p>2.Immaculate Cleaning &amp; Hygiene Services (PTY) Ltd</p> <p>3. Immaculate Cleaning &amp; Hygiene Services (PTY) Ltd</p>

No	COFF ref #	Details of finding	Supplier's names	Amount per finding	Management Response
			& Hygiene Services (PTY) Ltd R 475 754.00  4.Dinny's Business Enterprise R 483 700.00  5. Servicing and repair of seven (7) air conditioning R 494 407,02		<p>4.Dinny's Business Enterprise</p> <p>COFF 02 DBN Management agrees to the finding</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
3	<b>HO COFF 37</b>	Deviated from normal procurement processes in purchasing the Lindela Repatriation Centre "Lindela" from Leading Prospect Trading 111 (Pty) Ltd. The DGs and minister's approvals were obtained before the auction process took place and the actual payment deviated from what was approved by the accounting officer. This approval was in line with the MVR value of R23 million, however the actual purchase of the property amounted to R60 million excluding auctioneer fees and value added tax without any clear basis.	Prospect Trading 111 (Pty) Ltd	R 37 000 000.00	<p>Management disagrees with the finding. This matter was responded adequately in the previous financial year. The deviation was approved by National Treasury as the delegated authority, not the Minister as the finding suggested.</p> <p><b>Auditors conclusion</b></p> <p>The audit team is busy with the technical consultation of this matter and the consultation will take a while management should disclose this as irregular expenditure under assessment when the consultation is back we will update the entity whether the transaction is irregular expenditure or not. A follow up will be made in the next auditing period</p>
4	<b>HO COFF 42</b>	Operating lease payments – Variation above 15% was not approved by National Treasury resulting in irregular expenditure on the Armaments Corporation of South Africa (ARMSCOR), the lease has been running on a month-to-month basis since the contract expired on 31 July 2004.	ARMSCOR	R 343 594 676.00	<p>Management disagrees with the finding. This lease was part of the first and second dispensation as approved by National Treasury on 5 September 2013 and 13 March 2015, respectively. Furthermore, the transaction was also part of the leases that were approved by National Treasury for renegotiation on 9 March 2017. The variation, if it is applicable, was approved by National Treasury as per the above instances.</p> <p><b>Auditors conclusion</b></p> <p>The audit team is busy with the technical consultation of this matter and the consultation will take a while management should disclose this as irregular</p>

No	COFF ref #	Details of finding	Supplier's names	Amount per finding	Management Response
					expenditure under assessment when the consultation is back we will update the entity whether the transaction is irregular expenditure or not. A follow up will be made in the next auditing period
5	<b>JHB COFF 09</b>	<p>We have noted that the professional team was appointed using a Nomination for a Routine Assignment (Rooster Appointments) for WCS 047918 Replacement and maintenance of boilers for a period of 24 months.</p> <p>An amount of R6 283 562 (Above the 20% threshold) was approved by the PMTE without the required approval by the relevant delegation, in this case being National Treasury in line with the practice note.</p>	<p>1.Tsepa Consulting CC R 4 061 928.00</p> <p>2.B &amp; L Quantity Surveyors R 1 145 682.00</p> <p>3.DNMZ Consulting Engineers R 1 075 952.00</p>	R 6 283 562.00	<p>Management notes the findings. The 20% threshold only applies from transactions or transactions emanating from variations from May 2016 when the instruction note was implemented. The instruction note was not implemented retrospectively but only applies to transactions from the date it was approved. The quantifiable amount will be adjusted accordingly and will be submitted to the audit team as part of the adjustments of overs and unders.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
6	<b>HO COFF 59</b>	We have noted that the entity has a huge number of leases that are running on a month-to-month basis. There are leases that have been on a month to month for a period of more than five years, some even longer. Consequently, this has resulted in the trading entity spending amounts that exceed the set limit for extensions of contracts as required by Treasury Instruction note 3 of 2016 paragraph 9.	None	R 800 994 315.62	See below for response.
		<p>Management disagrees with the finding. TR Instruction note 3 of 2016/17 cannot be applied retrospectively.</p> <p>Management wishes to draw your attention to the following response. A lease, as defined, is "an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time." (my emphasis). Any other thing other than an agreement between the parties viz. a lessor and a lessee, will therefore lose its character and cannot be regarded as a lease for this purpose. The intention of the Special Dispensation was to dispense with the SCM process and engage the landlords directly in order to renew the leases. National Treasury then imposed certain conditions for the renewal of those leases. It is trite that some landlords flatly refused to accept those conditions. In such instances, since the decision to procure is made by client departments, the Department engage with those client departments for new procurement instructions.</p> <p>The principle of renewing the leases in compliance to the National Treasury's directive on annual escalation of 5.5% and 6% was implemented by the Department hence many of the lease contracts were renewed accordingly. However, the listed ones in the table above could not be renewed for the following reasons;</p>			

No	COFF ref #	Details of finding	Supplier's names	Amount per finding	Management Response
		<ul style="list-style-type: none"> <li>User departments granted no mandate for DPWI to renew them. Therefore, DPWI had no mandate to proceed with lease renewal negotiations and conclusion of lease contracts.</li> <li>Where approval was granted by user departments, negotiations with landlords prolonged and in some cases collapsed due to insistence on offers made by the landlords and insistence on longer term leases.</li> <li>Process of sourcing alternative accommodation office accommodation is long (minimum 18 months period) thereby creating a situation of prolonged stay in existing leased buildings.</li> <li>Upon realising that the lease renewal for the listed leases has failed, User Demand Management Unit was requested to communicate with users to submit their needs which will inform initiation of the process of procuring alternative accommodation.</li> <li>Some leases were under SIU investigation thus no eligible for lease renewal.</li> </ul> <p><b>Auditors conclusion</b></p> <p>The audit team is busy with the technical consultation of this matter and the consultation will take a while management should disclose this as irregular expenditure under assessment when the consultation is back we will update the entity whether the transaction is irregular expenditure or not. A follow up will be made in the next auditing period</p>			
7	PTA COFF 01	<p>During the audit of the supply chain management processes, we identified three request for quotations (RFQs) relating to the service of the same nature being procurement from different suppliers through the quotation process. Both RFQs had the same description: Security services at old Telkom towers.</p>	<p>1.Roshen Holdings R 499 675.00 2.Security24 Investment R 498 805.00 3.Nkarabe Protection Service R 498 990.00</p>	R1 497 470.00	<p>Management disagrees with finding.</p> <p><b>Auditors conclusion</b></p> <p>Management response noted however, the finding stands.</p>

### **Issue 3**

During the interim audit several audit findings were raised and management agreed to auditors findings but these transactions are not included in the irregular expenditure

No	Region	Supplier name	Component identified	COFF #	Amount per finding	Management Response
1	Mthatha	Sikhosonke Trading and Investment (Pty) Ltd	SCM	MTH COFF 02	R170 000	<p>Management agrees to the finding. The transaction will be recorded in the irregular expenditure register.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>

No	Region	Supplier name	Component identified	COFF #	Amount per finding	Management Response
2	Mthatha	Mbokotho Investment T/A ZM Construction	SCM	MTH COFF 02	R25 977 836,00	<p>Management agrees to the finding. The transaction will be recorded in the irregular expenditure register. Note that the expenditure was not included in the register when the AFS was submitted because there was no expenditure as at 31 March 2021. The first payments were only made in July 2021. To date there are only 4 payment made, two in July and two in August. The amount of R 3,096,571.45 for these four transactions will be disclosed in the register.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
3	Mthatha	1.Purple Pansy 101 CC	SCM	MTH COFF 02	R1 763 571,00	<p>Management agrees to the finding. There is no expenditure to date on this contract. Once expenditure is incurred the expenditure will be disclosed.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
4.	Mthatha	1.BBF Safety Group Pty (Ltd)	SCM	MTH COFF 02	R103 714,00	<p>Management agrees to the finding. Expenditure to date will be included in the register.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
5.	Mmabatho	Lindokuhle & FV Trading JV	SCM	MMB COFF 02	R24 323 342,34	<p>Management takes note of the finding and will disclose the expenditure as under assessment.</p> <p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>
6.	Mmabatho	FV trading enterprise (PTY) LTD	SCM	MMB COFF 02	R36 457 188,78	<p>Management takes note of the finding and will disclose the expenditure as under assessment.</p> <p><b>Auditors conclusion</b></p>

No	Region	Supplier name	Component identified	COFF #	Amount per finding	Management Response
						Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction
7	Mmabatho	1,Electricivil Trading 2. Letlotlo Gardening Cleaning and Construction 3. Active Boiler Energy	SCM	MMB COFF 01	R1 290 900,22	<p>Management disagrees with the finding.</p> <p>It should be noted that a misrepresentation and omission of information by a supplier with a direct interest will be Irregular expenditure.</p> <p>Misrepresentation and omission of information by a supplier with no direct interest will be Non-compliance.</p> <p><b>Auditors conclusion</b></p> <p>Management response has been noted however the finding stands as irregular expenditure as PA11 was not fully completed by the service provider. Also taking into account that management agreed to this finding during interim audit</p>

## Issue 5

Management takes note of the finding and response are indicated on each finding below.

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
1	Felix Novela	Cover quoting	R2 363 436,66	<p>Nothing disclosed.</p> <p>The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.</p>	<p>This is non- compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure</p>

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
Management takes note of the audit finding and wish to respond as follows:					
SIU report R27 of 2015 par 4.4 states that: Allegations of cover quoting by a service provider – <b>Novela</b>					
<i>The SIU investigated allegations of cover quoting relating to day to day maintenance contracts by a service provider known as Felix Novela and a group of entities associated with him.</i>					
<i>The investigation revealed the following:</i>					
<ul style="list-style-type: none"> <li>- That officials were at liberty to choose the contractors that they wish to procure quotations from;</li> <li>- That after DPWs movement away from term contracts to establishing a list of approved service providers costs associated with this service increased by over one hundred percent;</li> <li>- Mr Novela was linked to six individuals and four entities on the DPW supplier database; and</li> <li>- The persons and entities acted in concert with each other by submitting quotations to DPW thus misrepresenting to DPW that they were obtaining independent quotations.</li> </ul>					
<p><i>The SIU found evidence to support the allegation and criminal referral was submitted to the NPA, which identified 42 counts of fraud to the value of R2 363 436.66. A case was registered at Pretoria Central on 14 July 2017 with CAS No.671/2017. The NPA has referred the matter to Advocate Eugene Koch to review. No Trial date has been set.</i></p>					
<p>A generic definition of cover quoting refers to the manipulation of the three-quote procurement system by a departmental official, acting in collusion with a supplier, whereby multiple quotations are submitted as if they were independent quotes. Although the department takes note of the above findings by the SIU, however auditors should be cognisant of the fact that the above irregularities were done by the service providers independently by misrepresenting to DPW that the entities that submitted quotations were independent. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed, therefore there is no flaw in the tender process from the Department's side.</p>					
<p>Furthermore, the cover quoting by the service provider is not applicable to follow the requirement of Treasury Regulation 16.A91 because none of the department officials participated in the cover quoting:</p>					
<p>The accounting officer or accounting authority must –</p> <p>(a) take all reasonable steps to prevent abuse of the supply chain management system;</p> <p>(b) investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified –</p> <p>(i) take steps against such official or other role player and inform the relevant treasury of such steps; and</p> <p>(ii) report any conduct that may constitute an offence to the South African Police Service;</p> <p>(c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, nor any of its directors, are listed as companies or persons prohibited from doing business with the public sector;</p> <p>(d) reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations;</p> <p>(e) reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract; or</p> <p>(f) cancel a contract awarded to a supplier of goods or services –</p> <p>if the supplier committed any corrupt or fraudulent act during the bidding process or the execution of that contract; or</p> <p>(ii) if any official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of that contract that benefited that supplier</p>					

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
<b>Auditors conclusion</b>					
Management response noted and the finding is resolved on the irregular expenditure but theres no proof that management took reasonable steps to recover the money from the responsible supplier or they terminated the contract that was awarded to the supplier.					
5	Sebushi Somo for work	Cover quoting	R2 609 647,68	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non- compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
Management disagree with audit finding for the following reasos:					
<p><i>Item 4.9 of R27 OF 2015 on Allegation of irregular award of tender to Sibushi Somo for work to be conducted at Zonderwater Prison.</i></p> <p><i>The analysis of the tender file revealed that Maziya General Services was the lowest bidder. The investigation established that the tender documents were manipulated thereby disqualifying Maziya. The SIU could however not establish with any certainty the identity of the person responsible for the manipulation. The evidence further showed that the documents had been manipulated well before the matter was placed before the BAC. The BAC was entitled to rely on the documents presented in making their final determination. No links between the winning bidder and any departmental official could be established. DPW received fair value and the contract was concluded at the beginning of 2017. The investigation was closed.</i></p> <p>Based on the above, this investigation was closed and it is incorrect of the Audit team to reach a conclusion that Sibuso Somo award was irregular, without stating the facts that gave rise to a non-compliance.</p>					
<b>Auditors conclusion</b>					
Management response noted and the finding is resolved on the irregular expenditure but theres no proof that management took reasonable steps to recover the money from the responsible supplier or they terminated the contract that was awarded to the supplier.					
6	Nevondo	Cover quoting	R358 000,00	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non- compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
Management disagree with audit finding based on the following reasons:					
<i>The SIU report R27 of 2015 par 4.23 on allegations of cover quoting – Nevondo</i>					
<i>The SIU received allegations that involved the 'day to day' maintenance contracts awarded to service providers by DPW and possible cover quoting by services providers associated with Nevondo. Our investigation revealed that the entities acted in concert with each other thereby misrepresenting DPW that they were individual entities/ individuals when they were connected to Mr Nevondo. A criminal referral was submitted NPA to the value of R358 000.00 on 10 October 2018. The NPA referred the matter to Advocate Lugene Koch to review. No trial date has been set.</i>					
8	Ibiyeni	Cover quoting	R1 005 357,10	Nothing disclosed. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed through as normal. So there is no flaw in the tender process from the Department's side.	This is non-compliance with treasury regulation 16A.9.1 the entity should disclose the transaction as irregular expenditure
Management disagree with audit finding for the following reasons:					
<i>Item 4.18 of R27 of 2015 on allegation of cover quoting –RB82/Ibiyeni/ Keletsoyame investigation.</i>					
<i>The evidence identified that the persons and entities associated with the above entities acted in concert with each other by submitting quotations to DPW, thus misrepresenting to DPW that they were obtaining independent quotations. These actions led the department to believe that the markets were dictating the prices being charged when in fact the prices were being determined by the collusive actions of the persons/entities listed above.</i>					
<i>The evidence further revealed that the Directors of several of the entities listed above were aware that the tenders were being manipulated by an agent that represented the interest of the stable of entities. This agent would submit quotes on behalf of entities and the only time that the members of the entities became aware of the bids was when the</i>					

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
<i>tenders were awarded. An NPA referral to the value of R1 005 357.10 was submitted on 6 December 2017. The NPA has referred the matter to Advocate van Zyl for review. No trial date has been set. The presidency will be updated when the feedback has been obtained.</i>					
<i>A generic definition of cover quoting refers to the manipulation of the three-quote procurement system by a departmental official, acting in collusion with a supplier, whereby multiple quotations are submitted as if they were independent quotes. Although the department takes note of the above findings by the SIU, however auditors should be cognisant of the fact that the above irregularities were done by the service providers independently by misrepresenting to DPW that the entities that submitted quotations were independent. The Accounting Officer could not have prevented cover quoting as the quotes are received as normal and procurement processes followed, therefore there is no flaw in the tender process from the Department's side.</i>					
<i>Furthermore, the cover quoting by the service provider is not applicable to Treasury Regulation 16.A91 because none of the department officials were participated in the cover quoting.</i>					
<b>Auditors conclusion</b>					
Management response noted and the finding is resolved on the irregular expenditure but theres no proof that management took reasonable steps to recover the money from the responsible supplier or they terminated the contract that was awarded to the supplier.					
2	Mbikiza	Irregularities on term contrats	Not included in the report	Not disclosed	Not disclosed - Management need to quantify the amount of Irregular expenditure
3	Amamp	Irregularities on term contrats	Not included in the report	Not disclosed	Not disclosed - Management need to quantify the amount of Irregular expenditure
Management takes note of the finding on the above two issues and wish to respond as follows:					
<i>Paragraph 4.14 of the SIU Report 27 of 2015 states the following conclusions.</i>					
<i>4.14 Term contracts – Procurement irregularities in the awarding of term contracts to service providers</i>					
<i>The SIU investigated service providers who were contracted to conduct work at state buildings. The allegations were that there were procurement irregularities in awarding of term contracts to the service providers due to significant discrepancies between the price tendered and DPW's estimates. A perusal of the procurement process indicated that the BEC and BAC acknowledged the risks associated with the discrepancies. The BAC sought to protect DPW by obtaining confirmation from the bidders that the price was fixed for the duration of the contract and thereby eliminate any reason for price variations during the currency of the contract. The BAC complied with its obligations and the contract was awarded with the price being fixed.</i>					
<i>The SIU noted that during the currency of the contract relating to First Drive Trading, Bula Mahlo Trading, <b>Mbikiza and Amamp</b> the amounts that were paid to them exceeded the price tendered. The Works Manager, Mr Thiepo Mohapi responsible for these contracts should have never allowed this situation to develop and should have held these service providers to the terms of their appointment. The SIU would have recommended disciplinary steps against the Work Manager but for his resignation from DPW as a consequence of other related SIU investigations.</i>					

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
<p><i>Criminal charges were laid by the acting Regional Manager against individuals involved with this matter. The cases are currently being investigated by Captain Olifant from the Anti-Corruption Unit of the HAWKS, Parkroad bearing the following reference numbers, CAS 957/05/07, CAS 375/07/17 and CAS 784/07/17.</i></p>					
<p><i>There was no evidence to suggest that the BAC were negligent in their functions as they complied with Department protocol in awarding the tenders. The SIU could not find any evidence that substantiated the allegation of irregularities in the awarding of contracts to service providers MJ Phulane, Anglyn Trading, Russel Energy, Thabuza Electrical Mechanic Security and Construction CC and Lepsmabere Security Construction CC.</i></p>					
<p>Based on the above, The issue raised by SIU were on prices that exceeded the amount quoted and the responsible official (Tshepo Mchapi) has since resigned, therefore any recover of the irregularities would have been dealt in line with policies on management of debts.</p>					
<p>The report also lacks details of the amount that exceeded the quoted prices. The disclosure note will be updated with a narrative to indicate that as at year end the amount relating to the above was under assessment to quantify the value of the irregular expenditure.</p>					
<p><b>Auditors conclusion</b></p> <p>Management agrees with the finding therefore the finding stands and will only be resolved when the financial statements have been adjusted with the transaction</p>					
4	Vereeberg/ Heldenberg prison tenders	EPWP	Not included in the report	Not disclosed  Unable to verify which transactions relate to this as no company name has been indicated.	Not disclosed - Management need to quantify the amount of Irregular expenditure
<p>Management disagree with the audit finding for the following reasons:</p> <p><i>The SIU Report as stated on TABLE 1.3 of the SIU report R27 of 2015, it states that the SIU conducted an assessment of the allegations and it was found that the matter fell outside of the proclamation. Recommendations were made to DPW on steps to be taken in investigating the matter Expanded Public Works Programme (EPEP) William Moeketsi (Vereeberg /Heidelber)</i></p>					
<p>Based on the above, it is incorrect of the Audit team to reach a conclusion that award relating to the matter on Vereeniging/Heldelber prison tenders were found to be irregular without stating the facts that confirms the non-compliance with laws and regulations on Supply chain management processes.</p>					
<p><b>Auditors conclusion</b></p> <p>Management response has been noted however the finding stands as it is stated that in the report there were irregularities that were identified by anti - corruption unit it is therefore the duty of the entity to confirm those irregularities not the duty of the audit team.</p>					
7	Zwashu Trading	Allegations on EPWP	Not included in the report	None was disclosed as per conclusions made in 2018. refer to SIU Register.	SIU register not provided
<p>Management disagree with the audit finding for the following reasons:</p> <p><i>The SIU Report as stated on TABLE 1.3 states that the SIU was advised by DPWI that they had appointed a forensic company to investigate the EPWP matter relating to ZWASHU Trading (Leeukop Prison) and in light of this the SIU sent a letter informing DPW that the investigation will not continue to avoid duplication.</i></p>					

No	Name of the supplier	Description	Amount as per the report	Management comment	AG assessment
Based on the above, it is incorrect of the Audit team to reach a conclusion that award to Zwashu Trading was irregular whilst there are no facts that confirms the non-compliance with laws and regulations on Supply chain management processes.					
<b>Auditors conclusion</b> Management response has been noted and the finding is resolved					
9	Several suppliers	Fraudulent invoices supplied by service providers- Fruitless	Different amounts as per report	An amount of R112, 594.94 is disclosed in the irregular expenditure register for Rb82 Heights Trading and Projects.  An amount of R216, 373.51 has been disclosed as irregular expenditure for Keletsoyame Trading And Projects.	This is non- compliance with treasury regulation the entity should disclose the transaction as irregular expenditure
Management disagree with the finding, as previously communicated the irregular expenditure was disclosed as stated above.					
<b>Auditors conclusion</b> Management response has been noted and the finding is resolved					

## Issue 6

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment	Management Response
1	HOFAI/03/2019/20	Investigations into allegations of irregular appointment of service provider	Nathoo Mbenyane Engineers	R2 244 774.00	The award was made to a bidder who did not score the highest point. The recommendation in the report was that the department incurred irregular expenditure of R490 419,47 and this whole amount is disclosed in the irregular expenditure register. The entity appointed a service provider who did not score the highest points therefore the whole amount of the contract R2 244 774 is	Management disagrees to the finding. The amount of the contract that was awarded is R2,244,774.00  This was a finding in the 2018/2019 financial year. See attached.  This finding is inconsistent to the previous finding. The expenditure to date for Nathoo Mbenyane Engineers has been disclosed as irregular expenditure. Attached is the expenditure report. <b>Refer to ANNEXURE B</b>  <b>Auditors conclusion</b>

No	Investigation ref #	Description of the report	Suppliers name	Amount	AG assessment	Management Response
					irregular not only the R490 419,73	Management response is noted and the finding is resolved as the amount paid to date on the contract is disclosed as irregular expenditure

## **PMTE KMB COAF 05 - Irregular expenditure – Disclosure note not fairly presented and complete**

### **Requirements**

Paragraph 38(1)(a)(i) of the Public Finance Management Act paragraph states that; “*The accounting officer for a trading entity must ensure that the trading entity has and maintains (i) Effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 40 of the Public Finance Management Act (PFMA) states that; “*The accounting officer for a trading entity – (a) must keep full and proper records of the financial affairs of the trading entity, in accordance with any prescribed norms and standards...*”

Paragraph 17 of the Generally Recognised Accounting Practice (GRAP) 1 states that; “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses...*”

Irregular expenditure framework para 16 states that “*If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure...*”.

Irregular expenditure framework para 82 states that “*The accounting officer must ensure that only confirmed irregular expenditure is disclosed in the main note to the annual financial statements...*”

Fruitless and wasteful expenditure framework para 60 states that “*The lead schedule of fruitless and wasteful expenditure must also serve as a lead for amounts of fruitless and wasteful expenditure to be disclosed in the note to the annual financial statements to ensure its accuracy and completeness...*”

### **Nature**

During the audit of irregular expenditure, differences were identified between the amounts as per the irregular expenditure schedule and the amounts as per the supporting invoice and payment made for the services or goods procured for the following transactions:

Case Reference Number	Service Provider	Amount as per schedule (R.)	Amount invoiced and paid (R.)	Difference (R.)
KIM0817/105696	Mishoe Trading	501 600	476 987	24 613
KIM0416/103603	Kopano Pj Trading	104 641	56 380	48 261
<b>Total</b>				<b>72 874</b>

### **Impact**

- Non-compliance with section 38 and 40 of the Public Finance Management Act
- Irregular expenditure as disclosed in Note 32 to the annual financial statements is overstated by R72 874

### **Internal control deficiency**

*Financial and performance management*

Management did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Lack of proper review of financial statements submitted for audit to ensure that they are accurate and complete.

### **Recommendation**

It is recommended that:

- Management should reviews on completed investigations and determined non-compliance resulting to irregular expenditure to ensure that the annual financial statements and supporting schedules (Irregular register) are updated with accurate and complete amounts.
- Management must develop or enhance compliance procedures to ensure compliance with all prescribed laws and regulations. In addition, such procedures include enhancement of compliance checklists already developed.

### **Management response:**

The irregular expenditure was incurred in 2018/19 financial year and it's a disclosure note with no financial implications. The register will be corrected to reflect the actual amount paid as per the payment batch.

### **Auditor's conclusion**

Management's comments are noted. The finding remains and will be reported in the management report.

## **Expenditure**

### **Pretoria Region**

#### **Expenditure: Transactions recorded in the incorrect accounting period (Cut off issues)**

#### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Paragraph 5 of GRAP 1 states that the definition of an Accrual Basis is “*a basis of accounting under which transactions other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.*”

#### **Nature**

During the audit of expenditure (travel & substance and sundry expenses) for current financial period, we noted transactions that were incurred in the 2019/2020 financial year. However, based on the audit testing we confirmed that these transactions are recorded in the 2020/2021 annual financial statement. This result in the cut off issues where the current year's expenditure is overstated. Refer to the table below for the transactions.

No.	Transaction Description	Supplier	Transaction period	Invoice date	Accounting Date	Amount
<b>Travel and subsistence</b>						
1	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	18/03/2020	2021/01/05	12 350
2	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	5 470
3	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	05/11/2020	2021/01/05	3 794
4	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	3 810
<b>Sundry expenses</b>						
5	Outs P/P:Contractd Maint	Mox Trading	2019/20	2019/09/05	2020/11/20	10 741
6	P/P:Safeguard&Security	Lekang Projects and security services	2019/20	2020/03/04	2020/05/14	58 024
<b>Total</b>						<b>94 190</b>

#### **Impact**

- This results in the overstatement of the expenditure by R94 190 and understatement of opening balance accruals by R 94 190.

#### **Internal control deficiency**

##### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

## **Recommendation**

It is recommended that management should enhance the review of the financial statements prior to submission for audit purposes to ensure that all information that is included in the financial statements is complete and presented fairly.

## **Management response**

Management does not agree with the Lekang Projects and security services finding for an amount of R 58 024, given reason that it was accrued for in the 2019/20 financial year as per the attached Annexure.

Management however does agree with the following transactions as per the finding:

No.	Transaction Description	Supplier	Transaction period	Invoice date	Accounting Date	Amount
<b>Travel and subsistence</b>						
1	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	18/03/2020	2021/01/05	12 350
2	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	5 470
3	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	05/11/2020	2021/01/05	3 794
4	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	3 810
<b>Sundry expenses</b>						
5	Outs P/P:Contractd Maint	Mox Trading	2019/20	2019/09/05	2020/11/20	10 741
<b>Total</b>						<b>36 165</b>

The agreement is on the basis that the transactions where not accrued for in 2019/20 year.

## **Auditor's response**

Management response have been noted. We have inspected the accrual listing for 2019/2020 and noted that the expenditure relating to Lekang Projects was included as accrual on the 2019/2020 financial period. Management reversed the accrual in the current financial period.

Based on the other transactions, management have agreed with the finding, therefore the finding will be reported on the management response.

## Procurement and contract Management

### POLOKWANE REGION

#### PMTE PLK COFF 01- Procurement of Quotations which did not comply with the stipulated qualifying criteria.

##### Requirements:

Public Finance Management Act paragraph 38(1)(a)(i) and 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains*

- (ii) *Effective, efficient and transparent systems of financial and risk management and internal control;*
- (iii) *(iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”*

Public Finance Management Act paragraph 38 (1)(c)(ii) states that “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*”

Preferential Procurement Regulation 4(2) states that “*A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.*”

##### Nature

During the audit of supply chain management for quotations, we noted that the winning bidder did not comply with one of the responsiveness criteria:

“Specification to be completed accordingly and fully.”

##### Issue:

The winning bidder did not complete the specification document in full. We also found that one of the losing bidders, Red Ants Trading and Projects, were deemed non-responsive for the same requirement. We further noted that management extended the contract for a further one month resulting in additional expenditure on the contract.

The detail of the award are as follows:

No	Tender number	Project Description	Supplier Name	Total amount incurred
1	PLKQ19/43	PLKQ19/43: Rendering of cleaning services for a period of 12 months at the Mankweng Magistrate Office	Mahlodi Lerato General Trading and Projects(Pty) Ltd	R532 684.36

##### Impact of the finding

- The department did not comply with the Preferential Procurement Regulation 4(2) Act.
- Irregular Expenditure of R532 684.36

##### Internal control deficiency

##### Financial and Performance Management

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

During the quotation evaluation, management did not compile a checklist to assist with identifying that the specification is not fully complete.

### **Recommendation**

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should enhance the SCM compliance checklist by ensuring that the pre-qualifying checklist is reviewed to ensure that any matters which the compiler might have missed will be detected by the reviewer.

Management should disclose the Irregular Expenditure of R532 684.36.

### **Management response**

Management disagree with the finding due to the following:

The template of the specification in question was fully completed with all other required documents, however the part or page that was not completed is not mandatory to form part of the specification.

Red Ants Trading and Projects, is non-responsive for not completing rates or quantity template which is mandatory to calculate the total contract amount

Furthermore, the extension of the contract was approved by the delegated authority within the prescribed prescripts and evidence was provided to Auditor General during the audit

### **Auditor's response**

Management comments are noted, however management can not specify that the document has to be completed accordingly and fully, and then decide that only certain sections of the document are mandatory while other sections are not. A fully completed document means that all pages should be completed. Therefore, the auditors disagree with management, the finding remains.

## **PMTE PLK COFF 02- Bidder not awarded the correct functionality points**

### **Requirements**

Public Finance Management Act paragraph 38(1)(a)(i) and 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains*

- (iv) *Effective, efficient and transparent systems of financial and risk management and internal control;*
- (v) *(iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”*

Public Finance Management Act paragraph 38 (1)(c)(ii) states that “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*”

Preferential Procurement Regulation,2017 paragraph 5 states that:

- “(2) *The evaluation criteria for measuring functionality must be objective.*
- (3) *The tender documents must specify-*
  - (a) *the evaluation criteria for measuring functionality;*
  - (b) *the points for each criteria and, if any, each sub-criterion; and*
  - (c) *the minimum qualifying score for functionality”*

### **Nature**

During the audit of competitive bids for tender number PE19/2019, we noted that one of the functionality criteria stipulated that points would be awarded in the following manner:

“Tenders ability to provide a Letter of Intent for the provision of a guarantee:

- A letter from a registered financial institution confirming the intent to provide a guarantee or cash deposit equivalent to 10% of the Bidders price on Form offer = 5 points
- Should the bidder opt for any other options on DPW 07 other than the 10% payment reduction, will receive = 4 points”

### **Issue**

One of the losing bidders, Xiluva Xa Mina Projects CC, submitted a letter of intent to provide a guarantee or cash deposit equivalent to 10% of the Bidders price on Form offer. We further noted that the bidder did not opt for any other options on DPW 07 other than the 10% payment reduction. This bidder was awarded 4 points.

We also noted that the winning bidder, Bongekile contractors CC, submitted a similar document in terms of the letter of intent and did not opt for any other options on DPW 07 other than the 10% payment reduction. Bongekile contractors was awarded 5 points for this criteria.

Therefore, we find that the evaluation committee was not consistent in awarding points to the bidders. We also find that Xiluva Xa Mina Projects CC should have been awarded 5 points because they have fully complied with the said criteria.

Furthermore, should Xiluva Xa Mina CC have been awarded the appropriate points, they would have been the winning bidder.

**The detail of the functionality calculation are as follows: (Minimum functionality score required= 75%)**

#1Xiluva Xa Mina Projects CC			Members of the Bid evaluation committee						Auditors evaluation		
N o.	Evaluation Criteria	Weighting factor( %)	F Tsida vhu	T Chak e	D Mojapelo	L Papo	G Ntlatlane	Average score	Scoring	Weigh hed score	Difference
1	Workforce	15%	3	3	3	3	3	0,5	3	0,5	0,00
2	Management 1	30%	2	2	2	2	2	0,6	2	0,6	0,00
3	Management 2	25%	5	5	5	5	5	1,3	5	1,3	0,00
4	Letter of Intent	15%	4	4	4	4	4	0,6	5	0,8	-0,15
5	Financial Credibility	15%	5	5	5	5	5	0,8	5	0,8	0,00
	Total	100%						3,7		3,8	-0,15
	Functionality score							73%		76%	0,03

### **Impact of the finding**

The trading entity did not comply with the Preferential Procurement Regulation of 2017. The expenditure to date (R11 454 641,53) on the contract is irregular expenditure. Financial loss of R 1 478 795,54.

### **Internal control deficiency**

#### ***Financial and Performance Management***

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

The evaluation committee did not adequately award points for functionality criteria relating to the letter of intent.

### **Recommendation**

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should disclose the Irregular Expenditure of R11 454 641,53.

### **Management response**

The finding was as a result of an oversight from the value chain within the department including probity audit done by OMA Chartered Accountants Inc. which provided quality assurance that the functionality points were correctly calculated and allocated and this is not final respond as Regional office is currently examining the documents and will update AGSA Final respond.

### **Auditor's response**

Management's comments are noted. The finding remains.

## **PMTE PLK COFF 03 - Deviation not justified**

### **Requirements**

S

ection 38(1) (a) (i) of the Public Finance Management Act (PFMA) states that “*the accounting officer for department, trading entity or constitutional institution:*

- (a) *must ensure that the department, trading entity or constitutional institution has and maintains*
- (ii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”*

Treasury Regulation 16A6.4 requires that “*If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.”*

In terms of National Treasury Instruction no. 3, paragraph 8 of 2016/17 “*Deviations from normal bidding process*”:

- “8.1 *The Accounting Officer/Accounting Authority must only deviate from inviting competitive bids in cases of emergency and sole supplier status.*
- 8.2 An emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment, which calls an agency to action, and there is insufficient time to invite competitive bids.*
- 8.3 Sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of the institution.*
- 8.4 The Accounting Officer/Accounting Authority must invite as many suppliers as possible and select the preferred supplier using the competitive bid committee system.*
- 8.5 Any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant treasury.”*

National Treasury regulation 16A3.2 states that “*A supply chain management system must: be fair, equitable, transparent, competitive and cost effective*”

### **Nature**

During the audit of supply chain management (SCM), we noted that management deviated from the normal procurement processes and procured a steel water tank on an emergency basis. According to our assessment, the reasons provided for the deviation was not sufficient to support deviating from normal procurement processes.

Details of the contract are set out below:

Supplier Name	Ref. Number	Description	Priority	Amount (R)
ATIM Holdings	9247	Repair leaking water tank	Urgent	R353 950,68

### **Reason for deviation**

On 24 December 2019, the Waterpoort Police Station reported a leaking tank that required repairs. According to the job card, the matter was first responded to on 03 March 2020, which is two (2) months after the emergency was reported. Upon performing an inspection of the damage, the project manager approved that the entire tank should be replaced with a new tank. The process to order a new tank and replace the old tank was completed on 25 August 2020 which is 6(six) months after the matter was first attended to.

### **Auditor's assessment**

Based on the time it took for the matter to be attended to (2 Months) and the time it took to construct and complete the tank (6months), we determined that it was not impractical to invite bidders. Upon discovering that the tank cannot be repaired and a new tank will be required, taking into account how long it takes to construct a new tank (6 months); management ought to have noted that the change scope of work requires significant time to complete and thus a normal procurement process should be followed.

Therefore, it is our assessment that the sequence of events does not meet the definition of an emergency procurement. Therefore, the emergency procurement is not justified.

### **Impact of the finding**

- Non-compliance with the PFMA section 38 and National treasury instruction note 3 of 2016/2017.
- The amount paid of R 353 950, 68 on the above deviations will result in irregular expenditure.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

Upon discovering that the scope of work has changed, management did not assess if the procurement is still within the ambit of emergency procurement.

### **Recommendation**

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should disclose the Irregular Expenditure of R 353 950, 68.

### **Management response**

- ✓ The complaint was not attended in time as per guideline as the call was logged in 24 December 2019 through newly implemented Archibus system and system was implemented November 2019
- ✓ When the call was logged the office was closed for festive season and officials were unable to access the Archibus systems out of office which caused delay in attending complaints and Service provider was appointed in February 2020 to attend the emergency of leaking water tank in SAPS.
- ✓ The officials were unable to access the system out of office which caused delay in attending complaints

#### **Replacement of a tank instead of repairing**

- ✓ The decision was taken to proceed with the already appointed Service Provider as already preliminary work as the client didn't have another water storage facility and the cost of replacing the tank was below **R354 000**
- ✓ The tank has to be ordered from manufacture to meet standard of the same quality and size of the rotten one which caused the delay in completing the work

#### **Measure in place currently**

- ✓ Currently the officials were re-trained on Archibus system

- ✓ The officials are able to access the system out of office
- ✓ Archibus reports are downloaded daily to monitor the process complaints logged

**Auditor's response**

Management's comments and corrective actions are noted. The finding remains.

## CAPE TOWN REGION

### PMTE CPT 01 - Winning bidder did not meet the minimum qualifying criteria

#### Requirements

Section 38(1)(a)(i) of the Public Finance Management Act states that: “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 38(1)(a)(iii) of the Public Finance Management Act states that: “*The accounting officer for a trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective...*”

Section 01(i) Definitions of the Preferential Procurement Policy Framework Act 2000 states that “*Acceptable tender” means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document...*”

Section 16A6.3(a)(i) of the treasury regulations states that “*The accounting officer must ensure that bid documentation and the general conditions of a contract are in accordance with the instructions of the National Treasury...*”

National Treasury Practice Note 7 of 2009/10 dated 02 October 2009 par 4.1.2 states that “*With effect from the date on which this practice note takes effect, accounting officers and accounting authorities are required to utilize the attached revised SBD 4 when inviting price quotations, advertised competitive bids, limited bids or proposals. This SBD 4 should be used with minimum changes that are necessary to address contract and project-specific issues...*”

Section 01 Definitions of the Preferential Procurement Regulations, 2017 states that “*Proof of B-BBEE status level of contributor” means*

- (a) *the B-BBEE status level certificate issued by an authorised body or person;*
- (b) *a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or*
- (c) *any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act...”*

Section 4(2) of the Preferential Procurement Regulations, 2017 states that “*A tender that fails to meet the pre-qualifying criteria stipulated in the tender documents is an unacceptable tender...*”

#### Nature

During the audit of tender # CPTL82/19 (Procurement of new office accommodation for Home Affairs-Refugee reception center: Cape Town for 5 years, we noted the following:

#### Issue 01

PA-04 (LS): Notice and Invitation to Bid stipulated conditions that will make a tender to be acceptable/responsive. Such conditions included the following:

- A tender offer must be properly received on the tender closing date and time specified on the invitation, fully completed and signed in ink (All as per Standard Conditions of Tender)
- The (DPW-08 (LS)): Bid offer must be completed by the bidder, with clear specification of the financial offer in terms of rental and tenant installation allowance offered by bidder and the bid documents should be duly signed in ink, by the bidder. The offer should be submitted as per the bid questionnaire which forms part of the bid documents
- Submission of PA-11: Declaration of Interest and Bidder’s Past Supply Chain Management Practices
- Submission of PA-29: Certificate of Independence Bid Determination

PA-10 (LS): Important conditions of bid paragraph 13 stated that “*Additional offers may be made but only on photocopies of the original documents or on other forms requisitioned. Additional offers are regarded as a separate bids and must be treated as such by the bidder. The inclusion of various offers as part of a single submission in one envelope is not allowed. Additional offers must be submitted under separate cover...*

**We noted the following: -**

- The bidder [**Invested Property Fund PTY (LTD)**] submitted two offers with different buildings and the contract value was the same (R33 603 777,94). As stipulated in the important conditions of the bid, such offers were regarded as separate bids, however the winning bid did not meet all the pre-qualifying criteria as stipulated in the tender documents even though the losing bid met all the pre-qualifying criteria.
- The Director of the winning bidder, Invested Property Fund **did not sign in ink** the PA-29 (Certificate of Independence Bid Determination) and **DPW-08** (LS) (Bid-Offer – office accommodation).
- The **PA-11**(Declaration of Interest and Bidder's Past Supply Chain Management Practices) was not included in the returnable documents submitted by the winning bidder.

However, the bidder [**Invested Property Fund PTY (LTD)**], was considered as a responsive/acceptable tender even though the bidder didn't comply with the responsive criteria and should have been disqualified.

**Issue 02**

A sworn affidavit was submitted by the bidder; however, upon inspection, we noted that the sworn affidavit was a copy and the bidder was allocated points that shouldn't have. It was further noted with concern that the sworn affidavits submitted by the bidder on all bid documents were stamped by the same Commissioner of Oaths, however, the signatures on the documents are different.

Table A

No	Bid Number	Service Description	Contract Awarded	Value	Amount paid to date
1	CPTL82/19	Procurement of new office accommodation for Home Affairs -Refugee reception centre: Cape Town for 5 years		R33 603 777,94	-

The bid was, therefore, awarded to a service provider that did not score the highest points.

**Impact of the finding**

The above may result in the following:

- Non-compliance with section 38 of the PFMA
- Non – compliance with Treasury Regulation 16A6.3(a)(i).
- Non – compliance with Preferential Procurement Policy Framework Act 2000
- Non – compliance with National Treasury Practice Note 7 of 2009/10 dated 02 October 2009 par 4.1.2
- Possible irregular expenditure of all future payments

**Internal control deficiency**

***Financial and performance management***

Management did not review and monitor compliance with applicable laws and regulations.

Management did not implement procurement processes in a manner to ensure that SCM regulations are adhered to.

### **Recommendation**

- Management should ensure that the entity complies with all applicable laws and regulations.
- Management should ensure that bid evaluation committee members are equipped with the knowledge required to evaluate tenders.
- Management should perform a further investigation to determine the extent of the non-compliance as well as the other instances where this non-compliance may have occurred.
- The accounting officer should also investigate the reasons for the irregular expenditure and confirm if it was deliberate. The expenditure should be included in the irregular expenditure register.

### **Management response:**

I am **Not** in agreement with the finding for the following reasons [see reasons below]:

The PA 29 form serves as a standard bidding document and as a certificate of declaration that would be used by the Department to ensure that, when bids are considered, reasonable steps are taken to prevent any form of bid rigging.

*"The scope of the declaration of interest in the SBD 4 issued on 5 December 2003 is limited only to a declaration if the bidder has a relationship with a person employed by the principal. The principal refers to the institution that invited the bid. In other words, if an employee of an institution is a director, shareholder or member of a company or close corporation and that company or close corporation conducts business with an institution other than the one at which he or she is employed, there is no obligation to disclose his or her own or his or her spouse's interest in the company or close corporation. The word "principal" should, therefore, be replaced with the word "state" so that declaration of any interest is broadened to all state institutions."*

As stated by the AG that the bidder submitted two bids (for two different buildings) with the same offer. It should be noted that PA 29 and PA 11 forms on the other bids were signed, initialled in full in all areas. The BEC on evaluation crossed referenced the information on PA 29 and PA 11 against the other bid submitted because the information in question was at the disposal of the Department, and it had closed on the same day as it was for the same bid. It must be taken into consideration that where the Department is already in possession of the same information regarding the bidder in question, that information is legally binding and valid.

In relation to DPW-08 (form of offer) the form was fully completed, initialled in all pages, therefore, all technical and material information required in the form were provided. Furthermore, fully initialling of a document is tantamount to signature. The Bid Evaluation Committee noted that the bidder omitted to append signature on the space provided for in the form. The Bid Evaluation Committee then resolved to seek a legal opinion, and it was received see attached marked A.

The legal opinion in the main placed its reliance on the Millennium Waste Management Chairperson Tender Board (2007) as decided by the Supreme Court of Appeal see attached marked B. The case as decided in 2008 concerned the award of a tender by the Department of Health and Social Development. The appellant was an unsuccessful bidder and claimed that its tender should not have been disqualified simply because it never signed a certain document that had to be submitted with its tender. The document that needed signature was a "declaration of interest" form and required bidders to indicate whether they had any links to the procuring entity (the second respondent). The appellant had initialled each page of the form, but failed to put its signature on the last page. There are two grounds upon which the tender committee disqualified the appellant's tender: (1) it believed that it did not have authority to condone the appellant's non-compliance with the tender conditions; and (2) it was of the view that the appellant's tender was not an "acceptable" one within the meaning of the PPPFA. The court rejected both grounds.

In the present case, the court held that condoning the appellant's failure to sign the form would have served the public interest because it would have facilitated competition among the bidders. The condonation would have promoted the values of fairness, competitiveness and cost-effectiveness in section 217(1) of the *Constitution*.

The court also referred to the *JFE Sapela Electronics* case, where Scott JA noted that the definition of an "acceptable tender" in the PPPFA must be interpreted against the values laid down in section 217(1) of the *Constitution*. The court then held that in this context the definition of [acceptable] tender cannot be given its wide literal meaning. It certainly cannot mean that a tender must comply with conditions which are immaterial, unreasonable or unconstitutional. The defect relied on by the tender committee in this case is the appellant's failure to sign a duly completed form, in circumstances where it is clear that the failure was occasioned by an oversight.

The original file was kept in the office to circumvent loss of files, AG has a right to request the original files to validate and authenticate information. The original certified copy of the BEE certificate is available however it was not requested before the exit meeting, during the audit or before the finding was raised. The certificate was in the other file of the bidder, see attached the original certified copy **marked C**.

### **Auditor's conclusion**

#### **ISSUE 01**

##### **PA 11, PA 29 and DPW-08**

Management comments are noted and they agree with auditors on the following:

- PA 11 was not submitted on the bid and this was a returnable document
- PA 29 and DPW-08 were not fully completed and signed in ink on the bid as required in the tender document.

Based on the above it is evident that the bid should have been considered as a non-responsive tender as it did not comply with the responsive criteria and should have been disqualified.

BEC on evaluation crossed referenced the information on PA 29 and PA 11 against the other bid submitted because the information in question was at the disposal of the Department, and it had closed on the same day as it was for the same bid. It must be taken into consideration that where the Department is already in possession of the same information regarding the bidder in question, that information is legally binding and valid.

The above statement contradicts the PA-10 (LS): Important conditions of bid paragraph 13 as additional offers should have been regarded as a separate bid and treated as such on evaluation. It is evident that management didn't follow the conditions of the bid and should have disqualified the bid.

The audit team note the legal opinion submitted, however inconsistencies have been identified within the region as other suppliers who didn't sign the offer letter were disqualified. Technical opinion will be sought by the audit team, but this will not change the status of the finding as the bid should have been considered as non-responsive as they didn't submit PA-11 (Returnable document).

#### **Issue 2**

Management's response is noted and the BBBEE certificate marked C was included on file, however such certificate was a copy of sworn affidavit and the bidder shouldn't have been allocated points. It was further noted with concern that the sworn affidavits submitted by the bidder on all bid documents were stamped by the same Commissioner of Oaths, however, the signatures on the documents are different.

### **Conclusion**

Based upon the responses above the finding remains.

## **PMTE CPT COFF 02 - Procurement and Contract Management – Bid awarded to supplier who didn't meet the minimum functionality score and evaluation criteria differed from the bid document**

### **Requirements**

Section 38(1)(a)(i) of the Public Finance Management Act states that: “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 38(1)(a)(iii) of the Public Finance Management Act states that: “*The accounting officer for a trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Section 38(1)(c)(ii) of the Public Finance Management Act states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...*”

Section 5(6) of the Preferential Procurement Regulation 2017 states that: “*A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender...*”

Section 5(7) of the Preferential Procurement Regulation 2017 states that: “*Each tender that obtained the minimum qualifying score for functionality must be evaluated in terms of price and preference point system and any objective criteria envisaged in regulation 11...*”

Section 01(i) Definitions of the Preferential Procurement Policy Framework Act 2000 states that “*Acceptable tender*” means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document...”

Section 16A6.3(b) of the treasury regulations states that “*The accounting officer must ensure that bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the PPPFA, 2000 and BBBEE Act, 2003...*”

### **Nature**

#### **Cape Town region**

During the audit of tender # CPT1009/19 Mossel Bay: Magistrate Office: Repairs and Renovations, we noted the following:

#### **Issue 01**

The PA-04: Notice and Invitation to Bid stated that functionality will be applied as a pre-qualification criterion and minimum functionality score to qualify for further evaluation is **50%**. The following criterion were applicable

Functionality criteria	Weighting factor
<b>Experience</b>  Experience on previous projects: The bidder must provide a descriptive list of all comparable projects in progress or completed in the last five years (DPW 09 EC). Engineering projects to the value of 10 million or higher.  Scoring: 1 – 5 points	<b>35%</b>
<b>Quality</b>  References listed on the DPW-09 (EC) will be used to obtain the quality of work. Bidders must provide	<b>35%</b>

Functionality criteria	Weighting factor
contactable references with the person's name and contact details. The bidder must forward the standard template to the references to complete and must attach to tender documents when submitting on closing date.  Scoring: 1 – 5 points	
<b>Resources</b>  Construction Manager / Site Agent: Provide a detailed CV of the Construction Manager and Site Agent who will be employed on this contract with a <b>list of similar or greater nature, scope, complexity and value in progress or completed</b> projects in the last <b>5 years</b> .  Scoring: 1 – 5 points	<b>30%</b>

Based on the auditor's assessment conducted on validating correctness of the functionality for MWC Global (PTY) LTD the following was noted.

Client calculations - Members of the BEC			Auditors assessment			Auditors Comments
Criteria's	Points	Total functionality	Points	Total functionality	Diff	
Experience	5	35%	5	35%	-	<i>Points were awarded correctly as comparable projects (with value &gt;= R10 million) in progress or completed in the last 5 years were attached</i>
Quality	-	-	-	-	-	<i>Points were awarded correctly as standard template completed by references for quality of work were not submitted by the bidder.</i>
Resources	5	30%	-	-	(30)	<i>A CV of the CM/SA was attached on the returnable documents and it indicates relevant experience (In terms of years). However, projects included on the CV were not of <b>similar or greater nature, scope and complexity</b>.</i>  <i>Furthermore, these projects didn't indicate a value (i.e. &gt;= R10 million) and whether they are in progress or completed in the last 5 years.</i>
		65%		35%	(30)	

Based on the above, the bidder should not have been considered to be evaluated further as they didn't meet the minimum threshold of **50%** and the next supplier with highest points in terms of price and BBBEEE should have been appointed.

*Table A*

No	Bid Number	Service Description	Contract Value Awarded	Amount paid to date
1	CPT1009/19	Mossel Bay Magistrates Office: Repairs and Renovations	R25 605 321.76	-

## Issue 02

We noted that the functionality criteria (*Quality*) applied by management in evaluating the bidders in the procurement of **Mossel Bay** differed from what was prescribed in the tender invitation.

The tender invitation indicated that the following criteria would be applied when evaluating functionality: -

Functionality criteria	Weighting factor
<b>Quality</b> References listed on the DPW-09 (EC) will be used to obtain the quality of work. Bidders must provide contactable references with the person's name and contact details. The bidder must forward the standard template to the references to complete and must attach to tender documents when submitting on closing date.  Scoring: 1 – 5 points	<b>35%</b>

We noted that management allocated points for quality based on the DPW-09 (EC) completed by references and the ratings (*Excellent, Good, Fair, Poor and Very Poor*) indicated in the form were used to award points. It was not evident from the evaluation minutes that these references were contacted for obtaining feedback on quality.

This is evident as management sampled the bidders after awarding points for the price as well as the BBBEE and performed a risk assessment i.e. requesting information from the contactable references about quality of work, the value of past projects which further reflected that the bidders would not have met the 50% minimum qualifying score had the correct criteria been used for evaluation of functionality and as such management decided to disqualify some of the bidders based on the outcomes of the risk assessment report.

The outcomes of the risk assessment on quality disqualified the following bidders after they met the minimum functionality score: -

- La Natura /Intercon
- Mathew & Sons Construction
- Ro Swika Projects

It is evident that the evaluation criteria applied in evaluating quality and resources for the bids differed from what was prescribed on the original bid documents. The winning bidder won based on the amended evaluation criteria and therefore, the bid was not acceptable, as the bid did not comply with the specifications and conditions of the tender.

### **Impact of the finding**

The above may result in the following:

- Non-compliance with section 38 of the PFMA
- Non-compliance with PPR regulations
- Possible irregular expenditure of all future payments

### **Internal control deficiency**

#### ***Financial and performance management***

Management did not review and monitor compliance with applicable laws and regulations.

Management did not implement procurement processes in a manner to ensure that SCM regulations are adhered to.

### **Recommendation**

It is recommended that:

- Management should ensure that the entity complies with all applicable laws and regulations.
- Management should perform further investigation to determine the extent of the non-compliance as well as the other instances where this non-compliance may have occurred.
- The accounting officer should also investigate the reasons for the irregular expenditure and confirm if it was deliberate. The expenditure should be included in the irregular expenditure register.

### **Management response:**

#### **Background**

The scope for the project in Mossel Bay Magistrate Court entails general building repairs, painting, replacements of floor coverings, electrical light fittings and plugs and general external work, paving and services.

#### **Issue 01**

- **Contracts Manager:** The bidder provided a CV of a Contracts Manager who is a professionally registered Civil Engineer with 14 years' experience, and has worked on more complex projects than the project in question. The list of projects has been supplied on the CV. The BEC felt that the number of years (14) are more than the number of years required (10) and level of expertise is also much more sophisticated than what is required for this project. The criteria on the strategy did not stipulate the actual value of projects, but it required that the resource must have adequate experience in similar projects. Bearing the above in mind, the value of projects for the Contracts Manager does not have to match the value for the company. With the Contracts Manager, the CV did not indicate the period to reflect that the projects were completed in the last 5 years to match the requirements.
- **Site Agent:** The requirement was either for a Contracts Manager or a Site Agent. The bidder provided a CV of a Site Agent who is a candidate Civil Engineering Technician with 15 years' experience. The Site Agent has higher qualifications and experience than what was required. His experience is also for much more complex projects. The projects listed were completed in 2014, 2015 and 2017 respectively. This CV matches the requirements and also exceeded in terms of the number of years (15 years' vs 10 years).
- **Site Foreman:** the bidder attached a CV of a Site Foreman who is a professionally registered Project Manager with Quantity Surveying qualification and with 14 years' experience. The number of projects in terms of value, complexity and period far exceed the requirements. The projects listed for this resource were completed between 2015 and 2020.
- 

The BEC did not change the criteria but scored each one according to the information submitted by the bidder. The BEC considered the requirements and the resources supplied which were over and above the requirements and decided to award the points in full.

#### **Issue 02**

<b>Quality</b> <p><u>References listed on the DPW-09 (EC) will be used to obtain the quality of work.</u>  <u>Bidders must provide contactable references with the person's name and contact details.</u> The bidder must forward the standard template to the references to complete and must attach to tender documents when submitting on closing date.</p> <p>Scoring: 1 – 5 points</p>	<p>35%</p>
---	------------

The bidders were scored according to the criteria above. The risk assessment report from the Project Manager and Consultants give the full details of how this project was evaluated. The requirement for quality scores help to give the necessary points to the bidders based on what the referees indicate. However, the BEC is required to conduct due diligence on the information supplied both from the appointed Consultants and internal professionals. In this case when the Consultants were verifying the information given on the letters there were anomalies on the details

from the letters and what the referees were saying to the Consultants. The Department then requested the Departmental Professionals in Port Elizabeth Regional Office and Nelspruit Regional Office to go to sites and confirm the projects, quality of work and the information that was supplied. The reports given indicated that the three bidders did not give accurate information and some of the Clients were not satisfied with the bidder's performance. It is against this background that the BEC measured the risk of recommending the bidders in terms of quality, previous performance and commercial then moved to recommend the next highest scoring bidder. There was no reason to go back and rescore functionality but the risk report covered the areas sufficiently for these bidders not to be considered.

Management therefore does not agree with this finding. Management feels this project was evaluated and adjudicated according to the criteria that was set. Due diligence was performed and the correct recommendation and award was done in line with the PPR Regulation and PFMA.

### **Auditor's conclusion**

Management's response is noted. However, the finding remains.

#### **Issue 1**

Management comments are noted and the audit team respond as such, the value of project was stipulated on the functionality which was R10 million or higher and this was read with experience criteria. Within the resource criteria, it clearly stipulated that "*A list of similar or greater nature, scope, complexity and value in progress or completed projects in the last 5 years*". The CVs provided did not provide all the details as stipulated in the functionality criteria in order to award points.

Based on management response, it is clear that all other criteria's (Value, completion in the past 5 years etc.) were overlooked and only experience was considered for awarding of points. The audit team have noted that where management intend to award points only on experience as per CV, do specify such on functionality such as tender number CPT 1001/20. Based on the above it is evident that the BEC changed the evaluation criteria.

#### **Issue 2**

Management comments are noted and should have clearly stated that risk assessments would be undertaken due to the anomalies noted during the evaluation process.

## **PMTE CPT COFF 03 - Procurement and Contract Management - Possible splitting of quotations**

### **Requirements:**

Section 38(1)(a)(i) and (iii) of the Public Finance Management Act states that: "*The accounting officer for a department must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control; an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*"

Furthermore, section 38 (1)(c)(ii) states that: "*The accounting officer for a department must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...*"

Treasury regulation 16A6.1 states that: "*Procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury...*"

Practice Note 8 of 2007/08 paragraph 3.5 states that: "*Goods, works or services may not deliberately be split into parts or items of lesser value merely for the sake of procuring the goods, works or services otherwise than through the prescribed procurement process. When determining transaction values, a requirement for goods, works or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction...*"

### **Nature**

#### **Cape Town region**

During the audit of procurement and contract management the following issues were noted:

1. We noted that the department procured security contracts for the areas/properties mentioned in the table below which were for 2-month periods during the current financial year using a nominated procedure (deviation process), and in some instances awarded to the same service provider. Due to the nature of service, it is reasonable that the department is able to go on tender to obtain security services for a longer period as there it has no intentions to vacate the premises in the near future. In our assessment, the combined quoted amounts for the procurement of similar nature of services for the same area/property came in above the R500 000 competitive bidding, which indicates the possibility of deliberate splitting into parts of a lesser value merely to avoid following the competitive bidding process.

Based on this evidence and nature of the service, the department is able to make an assessment of how long they will require the security services in each respective property and as a result, be able to acquire the service through competitive bidding instead of following the quotation process.

The table represents the security contracts awarded, indicating the total amount spent for each area/property.

No	Short Description of Services	Service provider	Amount (R)
4	24 Hr Security: Rondebosch Fernwood	BC Security Solutions	43 558,32
5	24 Hr Security: Fernwood	Jugephaphi Construction	480 792,00
6	24 Hr Security: Fernwood	Striving Mind Trading 519	414 111,30

No	Short Description of Services	Service provider	Amount (R)
		<b>TOTAL</b>	<b>938 461.62</b>

2. That the department procured waste removal services for Robben Island from the different suppliers mentioned in the table below which due to the nature of service, the department is able to go on tender to obtain the services for a longer due to the continuity of services. In our assessment, the combined quoted amounts for the procurement of similar nature of services for Robben Island came in above the R500 000 competitive bidding threshold, which indicates the possibility of deliberate splitting into parts of a lesser value merely to avoid following the competitive bidding process.

Based on discussions with management, the department was in a position to assess the challenges it has in relation to the particular contract and rather procure the service following the tender process.

No	Short Description of Services	Service provider	Amount (R)
1	Waste Removal: Robben Island	Averda SA	372 779,60
2	Robben Island: Waste Removal & skips	Sela waste Management	417 800
<b>TOTAL</b>			<b>790 579.60</b>

### **Impact of the finding**

#### **The above may result in the following:**

- Possible misstatement of irregular expenditure with amounts of R2 508 093,55 and R790 579,60
- Non-compliance with section 38 of the PFMA
- Non-compliance with TR 16A6.1
- Non-compliance with PN 08 of 2007/08

### **Internal control deficiency**

#### *Leadership*

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Management did not ensure that contracts of services with a similar nature and of a continued need for the operations of the department are in place in order to comply with the relevant SCM laws and regulations.

#### *Financial and Performance Management*

Management did not review and monitor compliance with applicable laws and regulations.

Management did not implement procurement processes in a timely manner to ensure that SCM regulations are adhered to

### **Recommendation**

It is recommended that management should ensure that the entity complies with all applicable laws and regulations.

RFQs should be reviewed regularly to identify goods/services of the same nature required on the monthly basis. The assessment should be made to determine the possibility of procuring goods/service through the competitive bidding instead of quotation process merely to avoid going on tender.

Timely monitoring and procurement process of contracts that are due to end should be implemented.

Management should perform further investigation to determine the extent of the non-compliance as well as the financial impact had the contract was entered with the service provider to provide services for longer period instead of shorter periods

The accounting officer should also investigate the reasons for the irregular expenditure and confirm if it was deliberate. The expenditure should be included in the irregular expenditure register.

**Management response:**

Management takes note of the audit findings and is not in agreement due to the following reasons:

**1. 24 Hr Security: Rondebosch Fernwood**

The service relates to security services rendered at Rondebosch Fernwood for the period starting from 1 May until 31 May 2020. The service provider was appointed on emergency delegation due to the fact that the President addressed to the Nation on the National Lockdown Level 5 from the 26<sup>th</sup> March 2020 until the 16<sup>th</sup> April 2020, whereby staff members in the department were affected and could not attend to work at full capacity as were to curb the spread of Covid-19. The security services contracted onsite had to lapse on the 30<sup>th</sup> April 2020. We therefore requested an emergency delegation to ensure that the State properties are protected against vandalism, illicit activities and they do not pose any security risk within the public and surrounding areas.

Currently this project, security services at Fernwood is in the 2021/22 Procurement Plan.

**2. Waste removal services**

The Department had a contract in place which resorted under Facility Management and expired on 30 September 2020. The Waste Management tender was on the procurement plan of 2020/21 however the project was going to be piloted by the Head Office due to the complexity and technical nature of the specifications.

It was not feasible for the Region Office not to have an interim measure in place given the fact that Robben Island is one of the Heritage sites which the department is responsible for. As of 3 May 2021, the department has advertised a three-year term contract.

**Auditor's conclusion**

**24 Hr Security: Rondebosch Fernwood**

Managements response to the finding is noted. However, the finding is not yet resolved for the following reason:

Due to the finding being a recurring finding from the prior year, management previous response on the matter was that;

*"Head Office submitted the Departmental Procurement Plans to National Treasury for approval, however, the extension from National Treasury was further extended until 31st May 2020. It must be noted that on its own has further contributed to the delays*

*Currently the Terms of Reference have been presented to Regional Bid Specification Committee on the 22 July 2020, and will be tabled at Regional Bid Adjudication Committee (RBAC) on the 28 July 2020. It is anticipated that the public tender will be on Government Tender Bulletin on the 07 August 2020", which was for the various properties.*

The prior year finding was cleared based on tender bulletin which supports managements intention of going on tender and awarding a long term contract for security services for various properties. However, management currently states the security services are currently only included in the 2021/22 procurement plan.

May management provide clarity on the matter above and reasons for the services not being included in the 20/21 procurement plan and provide the 2021/22 procurement plan as stated.

### **Waste removal services**

Managements response to the finding is noted. Through corroboration of the tender advert for the advertisement of the contract on the auditee's tender site to support management's response, confirmed contracts for integrated solid waste management services was indeed advertised. Therefore, finding is resolved based on steps taken by management to procure services in accordance to the SCM prescripts.

## MMABATHO REGION

### MMB COFF 01- Misrepresentations on PA-11 by the winning bidder

#### Requirements

Treasury regulations 16A08.4 states that " *It is required that the Bidder or his/her authorized representative, declare his/her position in relation to the evaluating/adjudicating authority where:*

- i) *The Bidder is employed by the State; and/or*
- ii) *Whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid"*

#### Nature

The winning bidders incorrectly stated that they had not conducted business with the State (PMTE) in the previous 12 months when submitting their PA 11 which is the declaration of interest and bidder's past supply chain management practices, however upon inspection of the prior year quotation and tender registers it was noted that the supplier had conducted business with the state in the previous 12 months.

Refer below for the details of the suppliers:

No	Service provider:	Description of contract:	Batch no:	Amount:
1	Electricivil Trading	Repair of Roof Blown Away	7572	R320 626.04
2	Letlotlo Gardening, Cleaning and Construction	Reconnecting Pipes and Disludge of Septic Tank	7327	R480 857.14
3	Active Boiler Energy	Repairs of Faulty Boiler	7312	R489 417.04
<b>Total</b>				<b>R1 290 900.22</b>

#### Impact

- Non-compliance with Treasury reg.16A8.4
- Irregular expenditure of R1 290 900.22

#### Internal control deficiency

##### ***Financial and performance management***

Management did not review and monitor compliance with applicable laws and regulations.

Management did not implement procurement processes in a manner to ensure that SCM regulations are adhered to.

#### **Recommendation**

It is recommended that:

- Management should ensure that the entity complies with all applicable laws and regulations.

#### **Management response**

Management agrees with the finding. PA-11 to be completed by emergency appointed contractor in the presence of SCM official for accurate declaration.

**Auditor's conclusion**

Auditors has noted management responses and agrees with management therefore the finding remains.

**PMTE MMB COFF 02 - Local content PA 36 (Annexure C) not included as part of documents the returnable documents**

**Requirements:**

Public Finance Management Act paragraph 38(1)(a) of (i) and (ii) states that “*The accounting officer for a trading entity must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control and an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Public Finance Management Act paragraph 40 of (1) (a) states that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards*”

Preferential Procurement Regulation, 2011 paragraph 9 of (1) states that “*An organ of state must, in the case of designated sectors, where in the award of tender's local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.*”

Preferential Procurement Regulations 2017 paragraph 8 (2) states that “*An organ of state must, in the case of designated sectors, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered.*”

Preferential Procurement Regulation, 2017 paragraph 8 of (5) states that “*A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.*”

National Treasury Designated Sectors Instruction Number 15 of 2016-2017 in paragraph 5.1.1.1 states that “*Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents. Further in 5.1.1.2 it states that the “The declaration made by the bidder in the Declaration Certificate for Local Content SBD 6.2 and Annexure C (Local content Declaration: Summary Schedule) must be used for this purpose.”*

National Treasury Designated Sectors Instruction Number 15 of 2016-2017 in paragraph 4.5, for purposes of complying with paragraph 4.1, 4.2 and 4.3 of the instruction notice, “*the local production and content SBD 6.2 must form part of the bid documentation. The SBD 6.2 is for use by all National, provincial departments, constitutional institutions and public entities listed in schedules 2, 3, 3A, 3B, 3C and 3D of the Public Finance Management Act.*”

Section 01(i) Definitions of the Preferential Procurement Policy Framework Act 2000 states “*that “Acceptable tender” means any tender which, in all respects, complies with the specifications and conditions of tender as set out in the tender document.*”

**Nature**

During the audit of supply chain management, we noted the following:

The bid specifications document indicated as compulsory in terms of responsive criterion for the suppliers to submit Annexure C for local content d as part of the returnable documents.

Upon inspection of the tender documents, it was noted that for the below suppliers, such document was not completed

No	Tender No	Descriptions	Supplier Name	Amount
1	MMB 2019/084 EC	Rooigront Prison: Condition based maintenance of electrical and mechanical	Lindokuhle & FV Trading JV	R24 323 342,34
2	MMB 2019/084 EC	Rooigrond prison repair maintenance and operation of water sewer	FV trading enterprise (PTY) LTD	R36 457 188,78
<b>Total</b>				<b>R60 780 531,12</b>

## Impact

- Non-compliance with the Preferential Procurement Regulations 2017 paragraph 8 (2) and the section 38 of the PFMA
- Irregular expenditure limited to the actual amount paid

## Internal control deficiency

### ***Financial and performance management***

Management did not review and monitor compliance with applicable laws and regulations.

Management did not implement procurement processes in a manner to ensure that SCM regulations are adhered to.

## Recommendation

It is recommended that:

- Management should ensure that the entity complies with all applicable laws and regulations.
- Management should ensure that bid evaluation committees members are equipped with the knowledge required to evaluate tenders.
- Management should perform further investigation to determine the extent of the non-compliance as well as the other instances where this non-compliance may have occurred.
- The accounting officer should also investigate the reasons for the irregular expenditure and confirm if it was deliberate. The expenditure should be included in the irregular expenditure register.

## Management response:

### **I am in agreement with the finding however I will response as follows.**

PA01EC are approved by RBAC with threshold of R 50 000 000.00 below, with the approval the Procurement Strategy was constructed by Bid Specification Members, whereby documents were verified by the BSC members, the QS 002 are the document which indicated the documents to be attached and with the Finding PA36 are in both documents.

Project Manager ensure documents are in place before advertisement, Project Manager sign the PA03 EC which have all this information to tender, however SCM screen the documents for responsive criteria against the non-responsive. With the Bid Specification Meeting the members to verified all responsive criteria are compliant and all documents are in place.

The Project Manager oversight this document to be part of his responsive criteria, the Regional Office did not have all professionals to be in the BEC to address all matters. Head Projects only have control to checked the PA01EC before submit to RBAC, after the process unfold Head Projects are not aware of the irregularity occur in both of the two projects, it will be reported on the base of information received from the Project Manager.

## Project Manager's Response.

**I don't fully agree with the findings because if you read Directive 1, clause 1.1 it says**

Imported material shall only be considered under exceptional circumstances, based on technical justifications and subject to approval by the NDPW. This clause insertion shall be effective from 01 July 2021 in all contracts. All contracts that are to be issued after 01/07/21 shall contain the mandatory clause for SA Manufactured material.

Directive 1 and document PA 36 on QS 002 document which one is taking precedence over each other? I think is Directive 1, and one can conclude it not to be mandatory as yet because both said projects were handed over to the consultant in November and December 2020 consecutively unless there is a contradiction in both documents. It can be regarded as an oversight but that does not mean project manager to be crucified.

**Auditor's conclusion**

Auditors has noted management responses as they agree that annexure C was not submitted and this was compulsory in terms of responsive criterion for the returnable document as a result of that the finding remains.

## **MMB COFF 2 – PA 36 declaration for local content and production not indicating the local content percentage, DTI not notified and not advertised on e-tender portal**

### **Requirements**

*Public Finance Management Act section 40(1)(a)(i) state that: “The accounting officer for a department must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*

*National Treasury Designated Sector Instruction Notes paragraph 7.1 states that “Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.”*

*Preferential Procurement Regulation 2011 paragraph 9(1) states the following state that “An organ of state must, in the case of designated sectors, where in the award of tenders local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, service or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.”*

*Preferential Procurement Regulation 2017 paragraph 8 (2) and 8(5) states the following “An organ of the state must, in case of designated sector, advertise the invitation to tender in a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered. A tender that fails to meet the minimum threshold for local production and content is an unacceptable tender.”*

*“National Treasury Instruction No.1 of 2015/16 on eTender Publication Portal par. 3.1: With effect from 1 May 2015, accounting officers and accounting authorities of PFMA compliant institutions must, through the relevant treasury, advertise all bids of their respective institutions on the eTender Publication Portal.”*

*“National Treasury Instruction No.1 of 2015/16 par 4.1 & 4.2: With effect from 1 May 2015, accounting officers and accounting authorities of PFMA compliant institutions must, through the relevant treasury, publish the awards of all advertised competitive bids on the eTender Publication Portal. PFMA compliant institutions must submit the following information on successful bids to the relevant treasury’s eTender Publication Portal within 7 working days of awarding the bids*

## Nature

### Issue 1

During the audit of procurement management, we noted that the PA36 - Declaration for local content and production did not indicate the percentage of the local content to be supplied by the winning bidder.

NO	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount
1	MMB 2019/098 EC	Nzwalo Investments t/a Lumacon Airconditioning	Replacement of Kitchen equipment and upgrading of the kitchen	R 3 247 274.63

### Issue 2

During the audit of procurement management, we could not obtain evidence that DTI (Department of Trade and Industry) was notified of the successful bidder and the value of the contract. Furthermore, we could not obtain evidence that DTI was provided with copies of the contracts and the bidder's SBD 6.2 certificate. The contract listed below had the local content as the requirement as was not disclosed to the DTI:

No	Tender/RFQ Q number	Supplier Name	Description Of Goods Or Services	Amount (R)
1	MMB 2019/098 EC	Nzwalo Investments t/a Lumacon Airconditioning	Replacement of Kitchen equipment and upgrading of the kitchen	R 3 247 274.63

### **Issue 3**

During the audit of competitive bidding, we noted that for the bids listed below; the bid was not advertised on the eTender Publication Portal and the award was not published on the eTender Publication Portal and Government Tender Bulletin.

Bid no.	Description	Supplier	Amount
MMA2019/063 GS	Maintenance of plumbing and civil service work for 24 months	Wiser Trading CC	R 2 664 423,50
MMB2019/098 EC	Replacement of kitchen equipment and kitchen upgrade: Brits Prison	Nzwalo Investments	R3 247 274.63

## Impact

- Issue 1: This results in an irregular expenditure of R105 663.85
- Issue 2: This also results in a limitation of scope as no evidence was provided that the DTI was notified of the successful bidder and the value of the contract for local content.
- Issue 3: Internal control deficiency

## Internal control deficiency

### *Financial and Performance management*

Management did not review and monitor compliance with applicable legislation.

Lack of review of the bidding documents by senior officials before the bidding documents are sent to potential bidders.

## **Recommendation**

Management should ensure that the invitation to bid specified the minimum threshold for local production and content which is not less than the threshold prescribed in the relevant NT Instruction Notes.

Management should provide evidence within 3 working days that the DTI was notified of the successful bidder and the value of the contract for local content

Management should ensure that the bid and award is advertised on etender portal and government tender bulletin.

## **Management response:**

- Due to the nature of the tender advertised, it was not expected that bidders would import materials or parts in order to complete the project. The DTI was also not informed because there was no minimum threshold set for local content since this was expected to be 100% local production.
- Management will in future utilize PA-36 only on tenders where it is anticipated that a portion of the materials/ parts may be imported overseas. A minimum percentage will be determined and reported to DTI.
- The tender advert was placed in the tender bulletin and CIDB website as per requirement though the award was not published on any media. Awards will in future be published on the media through which the advertisement to tender was placed.

## **Auditor's conclusion**

Management response noted however, PPR 8.2 states that “An organ of state must, in the case of designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered”. The finding remains as irregular expenditure the advert did not stipulate the percentage of local content to be supplied by a winning bidder.

## PORT ELIZABETH REGION

### PMTE PE COFF 01 - Misrepresentations by the winning bidder

#### Requirements

Public Finance Management Act paragraph 38(1) (a) (i) and 38(1) (a) (iii) states that “The accounting officer for a department must ensure that the trading entity has and maintains

- (vi) Effective, efficient and transparent systems of financial and risk management and internal control;
- (vii) (iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”

Public Finance Management Act paragraph 38 (1) (c) (ii) states that “The accounting officer for a, department must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”

Practice Note 7 of 2009/10 par 4.1.2 – Pre-qualification criteria for preferential procurement states that “A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.”

Treasury reg.16A6.3 (a) states that:

“The accounting officer or accounting authority must ensure that –

- (a) bid documentation and the general conditions of a contract are in accordance with
  - (i) the instructions of the National Treasury”

#### Nature

During the audit of competitive bidding, we noted that PA-04: Notice and Invitation to tender for tender number PET15/2019 stipulated amongst others, the following responsiveness criteria:

1. “Submission of (PA-11): Declaration of interest and Tender’s Past Supply Chain Management Practices.
2. Compliance to Local Production and Content requirements as per PA36 and Annexure C.”

No	Tender number	Project Description	Supplier Name	Award Value	Contract
1	PET15/2019	Queenstown and surrounding areas : Term contract : Electrical repairs for the period of 24 Months	4RGA electrical	R5 650 000	

The tender was advertised on 13 September 2019 and the closing date was 08 October 2019.

#### Issue 1:

*We noted on the winning bidder’s PA-11 submission, paragraph 3.8: the director declared that neither the company, his spouse nor any of the company’s directors/trustees/shareholders/members or their spouses has conducted business with the state in the previous twelve (12) months.*

*However, during the audit of his bid submission we noted that he has listed at least two projects, which he has done for the Department of Public works and Infrastructure in the past 12 months:*

No	Tender number	Project Description	Duration (Months)	Year completed	Contract value
1	C195	DPW – EL Maintenance Project	24	2018	R 8 500 000
2	C196	DPW – QTN Maintenance Project	24	2018	R 7 800 000

Therefore, the bidder has made a false declaration about his past business dealings.

### **Issue 2:**

We inspected the bidder's PA-36: declaration certificate for local production and content for designated sector and noted that the bidder indicated no when asked if "any portion of the goods or services offered have any imported content".

However, we noted that the bidder declared on the same form that only 90% of the goods offered will be locally produced and the remainder will be imported. We further noted that the bidder did not complete annexure D for imported content declaration.

Therefore, the bidder has not adequately and fully completed PA - 36 as per the requirement of the responsiveness criteria.

### **Impact of the finding**

The trading entity did not comply with the *Practice Note 7 of 2009/10 par 4.1.2* which would have resulted in the winning bidder being disqualified and considered non-responsive.

The expenditure incurred to date on the contract is Irregular.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

The winning bidder's submission was not sufficiently inspected to ensure it complied with all the prescribed responsiveness criteria during the evaluation stage.

### **Recommendation**

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should enhance the scm compliance checklist by ensuring that the pre-qualifying checklist is reviewed to ensure that the reviewer will detect any matters, which the compiler might have missed.

### **Management response: Management disagree with the finding:**

a) PA 11 declaration of interest: 3.7 it reads as follows: *Are you or any person connected with the bidder presently employed by the state?* The response was **No**

Based on this the evaluation committee and adjudication committee have no grounds to suspect a possible conflict of interest with the prospective bidder. The disclosure demonstrates that no one in the SCM committees would have known the bidder or have had a relationship which will constitute a conflict of interest.

PA 11 declaration of interest: 3.8 it reads as follows: *Did you or your spouse or any of the company's directors /trustees/shareholders/members or their spouses conduct business with the in the previous twelve months?* Based on the question stipulated above, the evaluation committee and adjudication committee assessed the entity that is bidding vs individual shareholders/directors and came to conclusion that there is no conflict of interest that could be established. As a result, the bidder was further evaluated based on the outcome of the assessment.

**b)** The bidder has declared 100% and 90% minimum threshold for local production and content respectively as required by Regulation 8 of Preferential Procurement Regulation, 2017. Therefore, the bidder met this requirement for consideration for further evaluation.

The **PA 36** declaration for local production and content for designated sectors refers. **The bidder declared** that the entity will not be importing any portion of the goods or services offered. In addition, the bidder did not populate any information on annexure D which is meant to provide information on imports. Secondly the bidder has populated the information on annexure E which represents the items which are locally produced. However, the committees have taken note of the error in relation to the information populated in Annexure C which contradicts the PA 36 declaration. However, information provided in annexure D and E is deemed to be the source information for annexure C and in addition the declaration mentioned that no material will be imported. The committees have therefore concluded that the bidder is clearly committed to procure 100% locally and went over and above the minimum threshold of 90%. The approach of the contractor to procure 100% of the material locally is viewed as commendable.

### **Auditor's response**

Management's comments are noted.

We disagree with management based on the following reasons:

Firstly, we wish to highlight that the person who completed the declaration, is the sole director of the company and also accepted the responsibility to be the representative of the company as per PA 15.1.

The declaration of interest and bidder's past supply chain practices is a document completed on behalf of the bidder, by the elected representative. In this case, the representative of the bidder indicated that the bidder has not done business with the state in the previous 12 months which was found to be false.

## DURBAN REGION

### PMTE DBN COFF 01 - The allocation and calculation of preference points was not correctly done in accordance with the requirements of the PPPF Act and PPR 2017

#### Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Public Finance Management Act paragraph 38 (1)(c)(ii) states that “*The accounting officer for a, trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...*”

Treasury Regulation 16A6.3 state that “The accounting officer must ensure that the bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the Preferential Procurement Policy Framework Act, 2000.

Preferential Procurement Regulations 2017 paragraph 6.1 states that “*The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes...*”

Preferential Procurement Regulation 2017 paragraph 6 (4) states that “*A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but may only score points out of 80 for price; and scores 0 out of 20 for B-BBEE.*”

#### Nature

##### Issue 1

During the audit of procurement management, we noted that the 90/10 scoring model was used to evaluate the quotations listed below instead of the 80/20 scoring model as stated in the request for quotations. Therefore, this indicates that the evaluation criteria applied in evaluating the quotations are not the same as those indicated in the original request for quotations:

Supplier	Description of services	Amount (R)
Wezisizwe Building And Supply (Pty) Ltd	Operation and Maintenance of coal fired boilers	488 832
Qhamkile Projects (Pty) Ltd	Operation of sewer plant	398 000

##### Issue 2

During the audit of procurement management, we noted that the bidder who tendered the lowest price (Seldicta Trading cc - R318 811,05) was disqualified for not complying with the pre-qualification criteria, however their price was used a base in calculating the points for price. This is in contravention of PPR 2017 as the price submitted by the lowest acceptable tender was not used in calculating the points for price. This would not have changed the outcome of the award as the contract was still awarded to Vusuthobile Trading (R410 646,33) who scored the highest points based on recalculations performed by the auditors:

Description			Points for price			Total points (Price + BEE)		
N o	Bidder	Price tendered	Audit or s	Manageme nt	Differenc es	Manageme nt	Audit or s	Differenc es
1	Impumelelo Yamazilizazi	471 699,90	68,11	41,64	26,47	61,64	88,11	26,47

Description			Points for price			Total points (Price + BEE)		
	general							
2	Nokwazisbu Trading	414 955,07	79,16	55,87	23,29	75,87	99,16	23,29
3	Seldicta Trading cc	318 811,05	-	80,00	(80,00)	No points were awarded		
4	Macaphuna Kusale Trading	443 360,00	73,63	48,75	24,88	68,75	93,63	24,88
5	Manzini Trading (Pty) Ltd	439 633,50	74,35	49,68	24,67	69,68	94,35	24,67
6	Slungisa Trading (Pty) Ltd	450 000,00	72,33	47,08	25,25	67,08	92,33	25,25
7	Gebelihle (Pty) Ltd	440 900,00	74,11	49,36	24,75	69,36	94,11	24,75
9	Abasegudu (Pty) LTD	489 274,05	64,68	37,23	27,45	57,23	84,68	27,45
10	Thembihlase (Pty) Ltd	48 000,00	72,72	47,58	25,14	67,58	92,72	25,14
11	Vusuthobile Trading	410 646,33	80,00	56,96	23,04	76,96	100,00	23,04

### **Issue 3**

During the audit of quotations, we noted that the supplier listed in the table was awarded 20 points for BBBEE however the proof of BBBEE status level of contributor was not provided to support the points awarded. Through further assessment we have noted that this wouldn't have changed the outcome since the winning bidder did provide their BBEE certificate and points were awarded correctly.

No.	Description	Supplier	Amount (R)
1	SANDAF Mtubatuba: Replace a burst geyser and repair damaged wall	Cruzzie Projects and Engineering	115 350

### **Impact of the finding**

This results in non-compliance with the Preferential Procurement Regulations 2017.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not review and monitor compliance with applicable laws and regulations.

Lack of review of the evaluation reports and bid documents to;

- ensure that the scoring model and the price submitted by the lowest acceptable tender used is in accordance with the preference point system
- ensure that the points awarded to bidders are supported by evidence.

### **Recommendation**

It is recommended that management review the evaluation records to ensure that the scoring model and the price submitted by the lowest acceptable tender used is in accordance with the preference point system included in the Preferential Procurement Regulations

It is recommended that management perform adequate review of the evaluation reports along with the supporting documents to ensure that the points awarded to bidders are supported by evidence included in the bidding documents.

### **Management response**

#### **Issue No 1**

I am in agreement with the finding for the following reasons.

- That an incorrect scoring model template was used to calculate points which was an error. The advert was sent out with a clear indication that evaluation will be based on the 80/20

principle however and evaluation done as such, however during capturing of points and BBBEE levels an incorrect template was used. It was also proven by the Auditor General that if the 80/20 principle is applied the appointed contractor Wezisizwe Building and Supply Pty Ltd will score a 100 points also it was tested by the Auditor General that if you apply the 80/20 principle Wezisizwe Building and Supply Pty Ltd will still score a 100 points. Furthermore, the Auditor General also indicated that the oversight would not have changed the outcome of the award as the contract was still awarded to Wezisizwe Building and Supply Pty Ltd.

### **Issue No 2**

I am in agreement with the finding for the following reasons

- According to the evaluation report Seldicta was disqualified for not submitting a BBBEE certificate and for not meeting the responsiveness criteria, however they were recorded as responsive and allocated BBBEE points which was an error. During the evaluation of quotations received it was discovered that Seldicta did not submit the BBBEE certificate and they were non-responsive. Further to that the evaluation report clearly indicated that Seldicta is non-responsive, however the scoring model was not aligned to the evaluation report to exclude Seldicta from being evaluated further on Price and the BEE. Due to this error Seldicta was listed as the highest point scoring bidder even though the award was correctly made to Vusuthobile Trading. However, this would not have changed the outcome of the award as the contract was still awarded to Vusuthobile Trading.

### **Issue No 3**

I am in agreement with the finding for the following reasons

- Cruzzie Projects and Engineering was awarded BBEE points in error since they did not submit a valid BBBEE certificate. However, it must be noted that this service was correctly awarded to Osiphayo Services (Pty) Ltd.

### **Auditor's conclusion**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

The implementation of the corrective actions and consequence management will be followed up during the final audit.

## **PMTE DBN COFF 02 - Local content procurement not in accordance with the National Treasury Designated Sector Instruction notes**

### **Requirements**

Public Finance Management Act section 40(1)(a)(i) state that: “*The accounting officer for a department must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;*”

National Treasury Designated Sector Instruction Notes Paragraph 3.1 and 4.1 for textile, clothing, leather and footwear states the following “*The stipulated minimum threshold percentages for local content and production for the textiles, clothing, leather and footwear sector is 100%. Bids in respect of textile, clothing, leather and footwear must contain a specific bidding condition that only locally produced or locally manufactured textile, clothing, leather and footwear from local raw materials or input will be considered.*”

National Treasury Designated Sector Instruction Notes paragraph 7.1 states that “*Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.*”

Preferential Procurement Regulation 2011 paragraph 9(1) states the following state that “*An organ of state must, in the case of designated sectors, where in the award of tenders local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, service or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.*”

Preferential Procurement Regulation 2017 paragraph 8 (2) and 8(5) states the following “*An organ of the state must, in case of designated sector, advertise the invitation to tender in a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered. A tender that fails to meet the minimum threshold for local production and content is an unacceptable tender.*”

### **Nature**

#### **Issue 1**

During the audit of procurement management, we noted that the PA36 - Declaration for local content and production did not indicate the percentage of the local content to be supplied by the winning bidder. The form was not correctly completed by the winning bidder. There is no indication of what percentage of local content they will supply.

No	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount
1	N/A	Danira Enterprise	Protective clothing	74 960

#### **Issue 2**

During the audit of procurement management, we couldn't obtain evidence that DTI (Department of Trade and Industry) was notified of the successful bidders and the value of the contract. Furthermore, we could obtain evidence that DTI was provided with copies of the contracts and the bidder's SBD 6.2 certificate. The contracts listed below had the local content as the requirement:

No	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount (R)
1	N/A	Danira Enterprise	Protective clothing	74 960

No	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount (R)
2	N/A	Black Brain Investments	Protective clothing (Conti suits)	27 010
3	DBN144/2019	Shazinjomane Trading Enterprises (pty) Ltd	Protective clothing	1 512 000
4	DBN977/2019	Coldpoint Aircon Services cc	Protective clothing	2 274 345
5	DBN 964/2019	Boiler Engineers Themihlase JV	Protective clothing	3 900 110
6	DBN121/2019	Mapumulo SM Trading Enterprise	Protective clothing	6 252 381
7	DBN 965/2019	Cold Point Aircon Services	Protective clothing	2 558 044
8	DBN950/2019	Umzulu Trading Enterprise cc	Steel Products and Components Power and telecoms Cabling Valve Products & Actuators Fire Protection Installation Gas Suppression Installation	39 978 976
9	DBN20/11/01	Musani Trading Enterprise (Pty) Ltd	Protective clothing	13 815 427

### Impact

- Issue 1: This results in an irregular expenditure of R74 960 as the procurement for item 1 did not comply with the requirements of the National Treasury Designated Sector Instructions
- Issue 2: This also results in a limitation of scope as no evidence was provided that the DTI was notified of the successful bidder and the value of the contract for local content.

### Internal control deficiency

#### *Financial and Performance management*

Management did not review and monitor compliance with applicable legislation.

Lack of review of the bidding documents by senior officials before the bidding documents are sent to potential bidders. Furthermore, management didn't ensure that complete information is available for audit purposes.

### Recommendation

Bidding documents should be reviewed by senior officials before the bidding documents are sent to potential bidders

Management should ensure that the procurement for local content and production complies with the National Treasury Designated Sector Instruction Notes.

Management should provide evidence within 3 working days that the DTI was notified of the successful bidder and the value of the contract for local content

### Management response

#### Issue 1

I am not agreement with the finding for the following reasons.

The omission of stipulating minimum threshold for Local Content and Production on PA 36 paragraph 2 for the textile and clothing industry is oversight.

However, this oversight does not give rise to irregular expenditure as annexure "C" of the same document, fully completed and signed by the service provider, clearly stipulates the 100% local content in line with the Local content and production for textile and clothing industry. The

evaluation was done based on the same requirement, i.e. 100% local content. The award was also reported as such to Department of Trade and Industry see attached proof of email.

## **Issue 2**

I am not in agreement with the finding for the following reasons

This service was awarded to on 31 March 2021 to Black Brain Investments and the order was issued on 31 March 2021, however on 08 April 2021 the contractor confirmed in writing that they won't able to deliver due to unseen circumstances. A letter dated 8 April 2021 is attached.

Danira Enterprises Pty Ltd at an amount of R 74 960.00 was report to the Department of Trade and Industry see attached proof of email.

Proof of reporting to DTI for DBN977/2019, DBN964/2019, DBN144/2019, DBN121/2019, DBN965/2019, DBN950/2019, and DBN20/11/01 has been retrieved from the emails that were sent. See attached supporting documents. This is the first time the department has become aware of this finding as it was never raised and presented by Auditor General at the exit meeting. Had this been raised for the above bids, proof would have been provided to avoid limitation of scope.

## **Auditor's conclusion**

### **Issue 1**

Management responses did not address the issue raised that the bidder did not appropriately complete the form and also did not calculate and write the percentage of the local content to be supplied. The impact of the finding is determined at firm level to encourage organ of states to comply with the regulations and instructions notes for local content. Therefore, this finding is considered valid and will be evaluated and reported accordingly.

### **Issue 2**

Management responses noted. However, the attachments management is referring to were not attached in the email. Therefore, the finding is considered valid and will be evaluated and reported accordingly.

## MTHATHA REGION

### PMTE MTH COFF 01 - Requested information not provided

#### Requirements

Section 41 of the PFMA requires that '*An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require.*'

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

#### Nature

##### Mthatha region

During the interim audit of Property Management Trading Entity (PMTE) in the Mthatha region, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding:

RFI no.	RFI issue date	RFI due date	Information outstanding
PMTE RFI 01 - SCM - Mthatha	20-Apr-21	22-Apr-21	<ol style="list-style-type: none"><li>1. <b>Annexure A – Tenders:</b><ul style="list-style-type: none"><li>- MTH35/2018 (Bidding documents for New Boss Construction).</li><li>- MTH68/2018 (Bidding documents of BHS Building Construction and Pearlukuhe JV Bayanda).</li><li>- CDC/27/20 (Submission file which includes: Invite; evaluation reports; minutes of BSC, BEC and BAC; Budget availability and tender estimate etc.)</li><li>- CDC/368/19 (Submission file which includes: Invite; evaluation reports; minutes of BSC, BEC and BAC; Budget availability and tender estimate etc.)</li><li>- CDC/135/19 (Submission file which includes: Invite; evaluation reports; minutes of BSC, BEC and BAC; Budget availability and tender estimate etc.)</li></ul></li><li>2. <b>Annexure C – Contract management</b><ul style="list-style-type: none"><li>- WCS051777 (All information is still outstanding. Only completion certificate was provided).</li><li>- Total expenditure/Payment reports from contract inception up to 31-Mar-2021 for WCS046703.</li></ul></li></ol>

#### Impact of the finding

This results in a limitation of scope.

Furthermore, inefficiencies are noted in the audit due to the fact that additional time has to be spent following up on outstanding information that is overdue, thus impacting on the budget of the audit.

## **Internal control deficiency**

### *Financial and performance management*

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

The above is due to:

A lack of appropriate internal controls regarding proper filling and record keeping to ensure that documentation is easily and readily available for audit purposes;

Not all officials understanding the audit process and the importance of submitting the requested documentation within the required timeframe.

## **Recommendation**

Management should ensure that:

Appropriate internal controls regarding proper filling and record keeping are in place to ensure that documentation is easily and readily available;

Officials within the department are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe;

Procedures are put in place to enforce compliance with internal controls regarding submission of information as requested by the AGSA within the agreed upon timeframe as per the engagement letter;

Priority is given to the outstanding information as indicated above and that such information is submitted without further delay.

## **Management response**

No management's response obtained.

## **Auditors conclusion**

Management response not submitted in line with the signed engagement letter. However, management subsequently submitted the information except for the following:

### **Annexure A – Tenders:**

- MTH35/2018 (Bidding documents for New Boss Construction).
- MTH68/2018 (Bidding documents of BHS Building Construction and Pearlokuhle JV Bayanda).

### **Annexure C – Contract management**

- WCS051777 (All information is still outstanding. Only completion certificate was provided).
- Total expenditure/Payment reports from contract inception up to 31-Mar-2021 for WCS046703.

## **PMTE MTH COFF 02 - BBF Safety Group Pty (Ltd) – Supply and delivery of Masks and Gloves (Non-compliance with PPR 2017)**

## **Requirements**

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate*

*procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective..."*

National Treasury Designated Sector Instruction Notes Paragraph 3.1 and 4.1 for textile, clothing, leather and footwear states the following "*The stipulated minimum threshold percentages for local content and production for the textiles, clothing, leather and footwear sector is 100%. Bids in respect of textile, clothing, leather and footwear must contain a specific bidding condition that only locally produced or locally manufactured textile, clothing, leather and footwear from local raw materials or input will be considered.*"

National Treasury Designated Sector Instruction Notes paragraph 7.1 states that "*Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.*"

Preferential Procurement Regulation 2017 paragraph 8 (2) and 8(5) states the following "*An organ of the state must, in case of designated sector, advertise the invitation to tender in a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content will be considered. A tender that fails to meet the minimum threshold for local production and content is an unacceptable tender.*"

Treasury Regulation 16A6.3 state that "The accounting officer must ensure that the bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the Preferential Procurement Policy Framework Act, 2000.

Preferential Procurement Regulations 2017 paragraph 6.1 states that "*The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes...*"

Preferential Procurement Regulations 2017 paragraph 6.8 states that "... the contract must be awarded to the tenderer that scoring the highest points"

102 Section 8.5 in Table 3 of the Standard Operating Procedures for the SCM Acquisition of goods and services states that "*evaluate quote (A minimum of three (3) quotes is required for competitiveness):*

- *If the quote is < R30 000 consider the lowest acceptable offer*
- *If the quote is > R30 000 consider price, preference and award to highest scoring tenderer; and*
- *If less than three (3) quotes received and it is impossible to obtain more quotations, prepare a motivation to the delegated authority to deviate from standard SCM processes".*

## **Nature**

### **Issue 01**

During the audit of quotation process, we noted the following issues on the preferential points calculation:

#### **BBF Safety Group Pty (Ltd)**

The suppliers were invited to quote for the supply and deliver of masks and gloves for the Mthatha regional office and four (4) quotations were received on 06 November 2020. However, these quotations were not evaluated in term of the preference point system as required by the Preferential Procurement Regulations 2017. Management selected the winning bidder based on the supplier that quoted the lowest price without calculating the points for price and BEE.

#### **Zwelibuzwe Landscaping Pty (Ltd)**

The suppliers were invited to quote for the supply and delivery of cleaning material at Mthatha Magistrate Offices and five (5) quotations were received on 15 December 2020. However, these quotations were not evaluated in term of the preference point system as required by the Preferential Procurement Regulations 2017. Management selected the winning bidder based on the supplier that quoted the lowest price without calculating the points for price and BEE.

Based on the auditor's recalculation of both quotations using the Preferential Procurement Regulations 2017, we noted that the quotation would have still been awarded to BBF Safety Group Pty (Ltd) and Zwelibuzwe Landscaping as both of these suppliers scored the highest point. The non-compliance will however still be reported.

No	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount (R)
1	N/A	BBF Safety Group Pty (Ltd)	Masks and Gloves	102 714
2	N/A	Zwelibuzwe Landscaping	Supply and deliver cleaning material for Mthatha Magistrate Offices	359 255
<b>Total</b>				<b>461 969</b>

## **Issue 02**

The quotations documents for the supply and delivery of masks and gloves did not specify the minimum threshold for local production and content required. The winning bidder, BBF Safety Group Pty (Ltd), did not submit the declaration on local production and content (PA-36).

No	Tender/RFQ number	Supplier Name	Description Of Goods Or Services	Amount (R)
1	N/A	BBF Safety Group Pty (Ltd)	Masks and Gloves	103 714

## **Impact**

This results in non-compliance with Preferential Procurement Regulations 2017 as the outcome of the evaluation would not have changed the winning bidder.

This results in an irregular expenditure of R102 714 as the procurement did not comply with the requirements of the National Treasury Designated Sector Instructions

## **Internal control deficiency**

### *Financial and Performance management*

Management did not review and monitor compliance with applicable legislation.

The above is due to;

Lack of review of the bidding documents by senior officials before the bidding documents are sent to potential bidders.

A lack of appropriate internal controls regarding the enforcement of standard operating procedures as per the SCM policy and applicable laws and regulations.

Lack of understanding of SCM regulations and policies by officials involved in the procurement processes.

Lack of consequence management resulting in staff not adhering to SCM regulations and policies as well as strict procurement management procedures.

## **Recommendation**

Bidding documents should be reviewed by senior officials before the bidding documents are sent to potential bidders

Management should ensure that the procurement for local content and production complies with the National Treasury Designated Sector Instruction Notes.

Management should ensure that training on the SCM regulations and policies is provided to all officials involved in the procurement processes.

Management should ensure that consequence management processes are instituted against employees for non-adherence to the standard operating procedures.

### **Management response**

I am in agreement with the finding for the following reasons

#### **Issue 01**

BBF Safety Group Pty (Ltd)

- The SCM processes could not be fully followed due to challenges relating to working conditions due to COVID which resulted in requesting quotations but no evaluation committee were formed.
- The SCM and Facilities units will assess the quotations received based on price as all companies were level 01 as per BBEEE.

#### **Issue 02**

- PA 36 was not part of documents issued for quotations as most of these were very urgent as to ensure the region is compliant to COVID.

### **Auditor's conclusion**

Management agrees with all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

## **PMTE MTH COFF 03 - Classification of procurement as an emergency is not justifiable**

### **Requirements**

Section 38 (1)(a)(iii) of the PFMA requires that '*The accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.*'

Treasury Regulation 16A6.4 requires that "*If in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.*"

In terms of National Treasury Instruction no. 3, paragraph 8 of 2016/17 "DEVIATIONS FROM NORMAL BIDDING PROCESS" "*The Accounting Officer/Accounting Authority must only deviate from inviting competitive bids in cases of emergency and sole supplier status. An emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment, which calls an agency to action, and there is insufficient time to invite competitive bids. Sole source procurement may occur when there is evidence that only one supplier possesses the unique and singularly available capacity to meet the requirements of the institution. The Accounting Officer/Accounting Authority must invite as many suppliers as possible and select the preferred supplier using the competitive bid committee system. Any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant treasury.*"

National Treasury regulation 16A3.2 states that "*A supply chain management system must: be fair, equitable, transparent, competitive and cost effective*"

Section 1 of the standard operating procedures for the procurement of goods and services defines 'emergency' as "*a serious, unforeseen or unexpected situation defect that poses an immediate risk to health, life, property or environment, which calls for an immediate action to avoid such a dangerous or perilous condition.*"

Section 7.1 of the standard operating procedures for the procurement of goods and services through quotations further states "*Request Approval to obtain the use/nomination of the single source, Prepare SCM bid documentation to the extent applicable, PA32, PA10, PA11, PA29, PA16 (for transactions above R30 000), PA03 and Specification/ TOR, (PA36 if applicable). Single Source quote applies where a specific service provider is approached other than the competitive process for various reasons, which must be justifiable and approved by the delegated authority (RM at the Region or CD: SCM in Head Office).*"

### **Nature**

#### **Issue 1**

During the audit of quotation for Daltech Trading (Pty) Ltd for the Repair a generator that is not working at Lusikisiki New SAPS amounting to R55 926, we noted the following:

- The fault of the generator was reported on 04 April 2020
- Isivungu vungu Civils was appointed on 07 April 2020 to repair the generator however the deviation to procure the supplier on an emergency was approved on 21 April 2020. However, the Isivungu vungu Civils declined the appointment as they didn't have the materials to repair the generator at that time.
- Daltech Trading (Pty) Ltd was only appointed on 26 November 2020 to repair the generator which was 7 months after the deviation was approved.
- The generator was only repaired on 17 December 2020 as indicated on the job cards.
- Therefore, the reasons for the deviation are not justifiable due to the time taken from deviation approval to repairing the generator. This indicate that the repair of the generator was not urgent and there was sufficient time to follow the normal procurement processes.

## **Issue 2**

During the audit of quotations at Mthatha region, we noted that Vembani James Construction (Pty) Ltd was appointed on emergency basis to Move the park homes from sever ponds yard to prison at Mqanduli prison for an amount of R31 956, however the reasons this was an emergency were not stated. Therefore, we could not determine whether it was justifiable to deviate from the quotation process.

### **Impact of the finding**

Non-compliance with the PFMA section 38 and National treasury instruction note 3 of 2016/2017. The amount paid of R87 882 (55 926 + 31 956) on the above deviations will result in irregular expenditure.

### **Internal control deficiency**

#### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations.

The above is due to:

A lack of appropriate internal controls regarding the enforcement of standard operating procedures as per the SCM policy and applicable laws and regulations.

Lack of understanding of SCM regulations by officials involved in the procurement processes.

Lack of consequence management resulting in staff not adhering to SCM regulations and policies as well as strict procurement management procedures.

### **Recommendation**

Management should ensure that:

Appropriate internal controls are in place to ensure quotations are evaluated based on applicable laws and regulations ensuring that these transactions do not result in irregular expenditure;

Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.

Consequence management processes are instituted against employees for non-adherence to the standard operating procedures.

### **Management response**

I am in agreement with the finding for the following reasons:

#### **Issue 1**

- The contractor was appointed on emergency as the client was under pressure for repairing of the generator and the first contractor claim to have been waiting for material they have ordered from other province which was delaying.
- As these are beyond the control of the region the emergency was need as it took time due to lack of planning we should be having service contracts.

#### **Issue 2**

- The contract for guarding of these container's ended and there was high risk of being vandalised where it was situated.
- This was done on emergency as the container was previously damaged and it was far away from the prison.

### **Auditor's response**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

For issue 2, it is clear that this is due to poor planning as the region was aware that the contract for guarding was coming to an end however the region only attended to the moving of the containers in last minutes.

**PMTE MTH COFF 04- Tender number: MTH68/2018 - Coffee Bay SAPS: Installation of septic tank, generator set and supply electrical upgrade (Purple Pansy 101 CC - R1 763 571,00)**

## Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Preferential Procurement Regulations 2017 regulations paragraph 1 states that “Proof of B-BBEE status level of contributor means; (a) the B-BBEE level certificate issued by an authorised body or person, (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice”

Preferential Procurement Regulations 2017 regulations paragraph 6.3 states that “a tenderer must submit proof of its B-BBEE status level of contributor”

Preferential Procurement Regulation 2017 paragraph 6(4) states that “*A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but may only score points out of 80 for price; and scores 0 out of 20 for B-BBEE.*”

Treasury regulation 16A6.3 (d) states that “*awards are published in the Government Tender Bulletin and other media by which the bids were advertised.*”

National Treasury Instruction No 1 of 2015/16 paragraph 4.1 and 4.2 states that:

- - “*4.1 The Accounting Officers of PFMA compliant institutions must through the relevant treasury publish the awards of all advertised competitive bids on the eTender Publication Portal by taking cognisance of the requirements in paragraph 4.2*”
  -
- National Treasury Instruction No4A of 2016/17 paragraph 4.3 states that “Proof of registration, certification or accreditation with any industry or board not provided by the CSD must be verified through the submission of physical documentation and verified through manual procedures”

## Nature

### **Issue 1 – Non-responsive tenders not disqualified**

During the audit of tender number: MTH68/2018 at Mthatha region, we noted the following:

- The tender invitation required bidders to submit completed and signed PA 36: Declaration for Local content and production.
- However, none of the bidders submitted the PA36 – Declaration for local content and production.
- Therefore, all the bidders should have been considered non-responsive and disqualified.
- However, management did not disqualify the bidders and instead evaluated the bids further on preference point system.

### **Issue 2: Valid proof of BBBEE status levels not submitted by bidders**

During the audit of tenders, we noted that the winning bidder (Purple Pansy 101 CC) was awarded 20 points for BBBEE based on the BBBEE level stated on the CSD report. The BBBEE certificate provided during the audit was issued long after the award was made.

- We inspected the bidding documents submitted by the bidders and noted that Purple Pansy 101 CC did not submit proof of BEE status level however the bidder was awarded points for BBBEE as per the evaluation score card.

- Upon enquiry with management it was noted that the points were awarded with reference to the BBBEE level stated in the CSD report submitted by the bidder.
- Upon realising that it was incorrect to award the bidder points for BBBEE with reference to the CSD report, management sourced and submitted a non-certified copy of a BBBEE certificate issued on 02 October 2020 after the award was made on 17 September 2020.
- This is not in compliance with the PPR 2017 as no points should have been awarded to the bidder due to non-submission of valid proof of BBBEE status level.
- This would have changed the outcome of the evaluation as Conquer Business Enterprise would have been the second highest scoring bidder to be recommended for technical and commercial risk assessment after BHS Building Construction was eliminated (based on technical and commercial risk assessment conducted).

Details			Auditors recalculation			Client calculation			Difference
No	Bidder	Price tendered	Points for price	B-BBEE	Total	Points for price	B-BBEE	Total	
1	BHS Building Construction	1 661 740,80	80	20	100	80	20	100	-
2	Conquer Business Enterprise	1 965 551,25	65,37	20	85,37	65,37	20	85,37	-
3	Purple Pansy 101 CC	1 763 571,00	75,1	-	75,1	75,1	20	95,1	- 20,00
4	Matshathula Agencies	1 994 340,35	63,99	20	83,99	63,99	20	83,99	-
5	Khamina Civils	2 021 947,25	62,66	20	82,66	62,66	20	82,66	-
6	Twizza Civils	2 201 616,95	54,01	20	74,01	54,01	20	74,01	-
7	Zibele Construction	2 761 232,80	27,07	20	47,07	27,07	20	47,07	-
8	AMS Rhudulu Projects	3 733 840,99	-19,76	20	0,24	-19,76	20	0,24	-

**NB:** BHS Building Construction was disqualified on risk assessment which is performed after the preference point system was done.

### **Issue 3 – Award not published on the eTender Publication Portal**

During the audit of tenders at Mthatha region, we noted that the award for the tender listed below was not published on the eTender Publication Portal:

No	Tender number	Project Description	Supplier Name	Award Contract Value
1	MTH68/2018	Coffee Bay SAPS: Installation of septic tank, generator set and supply electrical upgrade	Purple Pansy 101 CC	R1 763 571

### **Impact of the finding**

This results in irregular expenditure.

Expenditure that will be incurred in future for this contract will be recorded as irregular expenditure.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not review and monitor compliance with applicable laws and regulations.

This is due to:

- A lack of appropriate internal controls regarding the enforcement of standard operating procedures as per the SCM policy and applicable laws and regulations.
- Lack of understanding of SCM regulations and policies by officials involved in the procurement processes.
- Lack of consequence management resulting in staff not adhering to SCM regulations and policies as well as strict procurement management procedures.
- Lack of review of the bidding documents by senior officials before the bidding documents are sent to potential bidders to ensure that all the relevant documentation is provided to bidders to complete and return.

## **Recommendation**

Management should ensure that:

Appropriate internal controls are in place to ensure quotations are evaluated based on applicable laws and regulations ensuring that these transactions do not result in irregular expenditure;

Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.

Consequence management processes are instituted against employees for non-adherence to the standard operating procedures.

Bidding documents should be reviewed by senior officials before the bidding documents are sent to potential bidders to ensure that all the relevant documentation is provided to bidders to complete and return.

## **Management response**

### **Issue 1 – Non-responsive tenders not disqualified (Agree with finding)**

- PA 36 was part of responsiveness which was not included on tender document when issued to bidders.

### **Issue 2: Valid proof of BBBEE status levels not submitted by bidders (Agree with finding)**

- Although we agree with finding as the document is missing from the file while PA13 and BEC first evaluation would have not provided 20 points if the document was not attached.

### **Issue 3 – Award not published on the eTender Publication Portal (Agree with finding)**

- The winning bidder was not advertised on e-Tender as required due to access to system but it was advertised on DPW website.

## **Auditors response**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

## **Requirements**

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Preferential Procurement Regulations 2017 para. 6(5) and 12(3) states that “*A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract. A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of a contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.*”

National Treasury Instruction No 1 of 2015/16 paragraph 3.1 states that “*with effect from 01 May 2015, accounting officers and authorities of PFMA compliant institutions must, through the relevant treasury, advertise all bids of their respective institutions on the e-tender publication Portal*”

## **Nature**

### **Mthatha region**

#### **Issue 1: Non-responsive tenders not disqualified**

During the audit of tender number: MTH35/2018 at Mthatha region, we noted the following:

- The tender invitation required bidders to comply with Local Content and production as the tender specifications included local content and production products such as: Firefighting equipment, Valves, Electric cables, Steel, Overalls etc.
- However, none of the bidders submitted the PA36 – Declaration for local content and production.
- Therefore, all the bidders should have been considered non-responsive and disqualified.
- However, management did not disqualify the bidders and instead evaluated the bids further on preference point system.
- Furthermore, the tender invitation did not specify the minimum threshold for local content and production.

#### **Issue 2: Highest scoring bidder was unfairly disqualified**

During the audit of tender number: MTH35/2018 at Mthatha region, we noted the following:

- The tender invitation included a requirement that the recommended bidder will be evaluated on technical and commercial risk to determine whether the risk posed is acceptable for the department.
- The New Boss Construction was evaluated on technical and commercial risk after being recommended by the BEC for scoring the highest points on preference point system.
- The risk assessment performed found that their price was low (16% lower than tender estimate) and might not be able to carry the project successfully at that price.
- The bidder was contacted by the BEC to confirm how they are going to complete the project successfully at the price and the bidder provided written response that they will obtain discounts for bulk buying materials and this will cater for under-pricing of certain items in the bill of quantities.

- However, the BEC still disqualified the bidder despite the bidder confirming that they will be able to complete the project at the tendered amount.
- Therefore, the bidder was unfairly disqualified and resulted in the contract being awarded to Mbokotho investment T/A ZM construction for an amount of R25 977 936,90 which is R5 212 079,5 more than the amount tendered by New Boss Construction of R20 765 857,40.

### **Issue 3: Highest scoring bidder was unfairly disqualified**

During the audit of tender number: MTH35/2018 at Mthatha region, we noted the following:

- The tender invitation included a requirement that the recommended bidder will be evaluated on technical and commercial risk to determine whether the risk posed is acceptable for the department.
- The winning bidder (Mbokotho Investment T/A ZM construction) was evaluated on technical and commercial risk and the risk assessment found that the bidder is behind in one of the projects they are currently working on and one of the two reference contacted did not recommend the bidder for appointment.
- However, the BEC still recommended the bidder for appointment and was approved by the BAC.
- Therefore, the decision to recommend the bidder was not justifiable as there was sufficient reasons to indicate that the bidder pose an unacceptable risk to the department.

### **Issue 4: Subcontracting more than 25% of the contract**

During the audit of tender number: MTH35/2018 at Mthatha region, we noted that the following:

- One of the losing bidders (Magubane Plant and Contractors) indicated on the PA16 – Preference claim form that they will subcontract 35% of the contract however they did not indicate the name and the BBBEE level of the subcontractor.
- As per paragraph 12(3) of the PPR, a bidder may not be awarded points for B-BBEE status level of contributor if they intend subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the bidder qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- Therefore, we are unable to determine whether the bidder should have been awarded points for BEE as they did not include the BBBEE level of the bidder they intend to subcontract the contract to.

### **Issue 5 – Bid not advertised on the eTender Publication Portal**

During the audit of tenders at Mthatha region, we noted that the tender listed below was not advertised on the eTender Publication Portal:

No	Tender number	Project Description	Supplier Name	Award Contract Value
1	MTH35/2018	Ngcobo Magistrate office: Condition based maintenance	Mbokotho Investment T/A ZM Construction	R25 977 936

### **Impact of the finding**

This results in irregular expenditure.

Expenditure that will be incurred in future for this contract will be recorded as irregular expenditure.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not review and monitor compliance with applicable laws and regulations.

This is due to:

- A lack of appropriate internal controls regarding the enforcement of standard operating procedures as per the SCM policy and applicable laws and regulations.
- Lack of understanding of SCM regulations and policies by officials involved in the procurement processes.
- Lack of consequence management resulting in staff not adhering to SCM regulations and policies as well as strict procurement management procedures.
- Lack of review of the bidding documents by senior officials before the bidding documents are sent to potential bidders to ensure that all the relevant documentation is provided to bidders to complete and return.

## **Recommendation**

Management should ensure that:

Appropriate internal controls are in place to ensure quotations are evaluated based on applicable laws and regulations ensuring that these transactions do not result in irregular expenditure;

Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.

Consequence management processes are instituted against employees for non-adherence to the standard operating procedures.

Bidding documents should be reviewed by senior officials before the bidding documents are sent to potential bidders to ensure that all the relevant documentation is provided to bidders to complete and return.

## **Management response**

### **Issue 1: Non-responsive tenders not disqualified (Agree with finding)**

- PA 36 was part of responsiveness which was not included on tender document when issued to bidders.

### **Issue 2: Highest scoring bidder was unfairly disqualified (Disagree with finding)**

- The highest scoring bidder was 16% below but could not convince the BEC of how they are going to overcome the shortfall and it should be noted you should provide facts or demonstrate clearly the areas noted of concern from the Consultants and BEC.
- The bidder was requested by BEC to mitigate on how they are going to overcome areas where the was under-pricing.

### **Issue 3: Highest scoring bidder was unfairly disqualified (Disagree with finding)**

- It should be noted that the project was not of a significant challenge to award the contractor and should be noted of the period when this was adjudicated as it might have been affected by pandemic lockdown (COVID).
- The number of projects in which the contractor has completed will also have impact on his performance.

### **Issue 4: Subcontracting more than 25% of the contract (Agree with finding)**

- This was oversight on BEC to award points on contractor subcontracting more than 25%.

### **Issue 5 – Bid not advertised on the e-Tender Publication Portal (Agree with finding)**

- The winning bidder was not advertised on e-Tender as required due to access to system but it was advertised on DPW website.

## **Auditors response**

### **Issue 1**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

### **Issue 2**

Management response noted. However, based on the written response submitted by the bidder it was clear how the bidder was going to overcome the areas where they under-priced and the bidder gave positive assertion that they will complete the project at that price and management reasons for disqualifying the bidder are not substantiated. Therefore, this finding is considered valid and will be evaluated and reported accordingly.

### **Issue 3**

Management response noted. The finding is therefore resolved as the project behind schedule was not significant to the project under evaluation.

### **Issue 4**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

### **Issue 5**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

## **PMTE MTH COFF 06 - Awards made to suppliers with non-compliance tax statuses**

### **Requirements**

Section 38 (1)(a)(iii) of the PFMA requires that '*The accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.*'

Treasury Regulations issued in terms of section 76 of the PFMA updated 15 November 2013 paragraph 16A9.1 (d) states that "*The accounting officer must reject a bid from a supplier who fails to provide written proof from South African Revenue Service that the supplier has no tax obligation or has made arrangement to meet outstanding tax obligation*"

National Treasury Instruction No. 09 of 2017/2018 paragraph 3.4 states that "*Where a bidder does not submit a tax compliance status PIN buy provides a Central Supplier Database Number, the accounting officers must utilise the Central Supplier Database Number via Central Supplier Database website to access the supplier records and to verify the bidders tax compliance status. A printed screen view at the time of verification must be attached to the supplier records for audit purposes.*"

National Treasury Instruction No. 09 of 2017/2018 paragraph 4.1 states that "*Designated employee(s) must verify the bidders tax compliance status prior to the awarding of price quotations or competitive bids.*"

National Treasury Instruction No. 09 of 2017/2018 paragraph 4.2 states that "*Where the recommended bidder is not tax compliant, the bidder must be notified in writing of the non-compliant status and the bidder must be requested to submit written proof from SARS of their tax compliance status or proof that they have made an arrangement to meet their outstanding tax obligations within 7 working days. The bidder should thereafter provide the accounting officer with proof of tax compliance status which should be verified via Central Supplier Database or e-Filing.*"

National Treasury Instruction No. 09 of 2017/2018 paragraph 4.3 states that "*Should the recommended bidder fail to provide written proof of their tax compliance status in terms of paragraph 4.2 above, accounting officers must reject the bid submitted by the bidder.*"

### **Nature**

#### **Mthatha region**

During the audit of quotations at Mthatha region, we noted that the suppliers listed in the table below were non-compliance with tax when awards were made to them:

No	Supplier Name	Non-compliant period	Date of award	Amount (R)
1	Makabongwe Security Services	From 17 December 2019 to 30 October 2020	30 September 2020	384 999
2	Sikhosonke Trading and Investment (Pty) Ltd	From 05 October 2020 to 25 January 2021	11 November 2020	170 000

#### **Impact of the finding**

This results in irregular expenditure of R554 999 (R384 999 + R170 000).

## **Internal control deficiency**

### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations.

The above is due to:

Lack of understanding of SCM regulations and policies by officials involved in the procurement processes.

Management did not verify the tax compliance status of the suppliers prior to awards.

## **Recommendation**

Management should ensure that:

Training on the SCM regulations and policies is provided to all officials involved in the procurement processes.

Management should ensure that tax compliance statuses of suppliers are verified on the CSD system prior to awards.

## **Management response**

I am in agreement with the finding for the following reasons:

- Makabongwe security was awarded based on quotation the tax was not verified.
- Sikhosonke Trading and Investment (Pty) Ltd: this was done under emergency delegation which normally the tax matters appear on CSD is printed after the contractor is appointed.

## **Auditors Conclusion**

Management agrees with the all the findings. Therefore, the findings are valid and the non-compliances will be evaluated and reported accordingly.

## HEAD OFFICE REGION

### PMTE HO COFF 22 - Bidders not awarded the correct functionality points Requirements

Public Finance Management Act paragraph 38(1)(a)(i) and 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains*

- (viii) *Effective, efficient and transparent systems of financial and risk management and internal control;*
- (ix) *(iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”*

Public Finance Management Act paragraph 38 (1)(c)(ii) states that “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”*

Preferential Procurement Regulation, 2017 paragraph 5 states that:

“(6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender

(7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference system”

#### Nature

During the audit of competitive bids for tender number H19/019AI, we noted that functionality criteria's stipulated that the points would be awarded in the following manner:

The service provider to provide list of comparative projects with contactable references for repair and maintenance type projects currently engaged in and or completed during the past 5 years

- 5 Repair & maintenance Projects or more = 5 points
- 4 Repair & maintenance Projects = 4 points
- 3 Repair & maintenance Projects = 3 points
- 2 Repair & maintenance Projects = 2 points
- 1 Repair & maintenance Project = 1 point
- No information submitted = 0 points

The service provider to provide and submit bank rating from institution to justify credit risk

- "A" Bank rating = 5 points
- "B" Bank rating = 4 points
- "C" Bank rating = 3 points
- "D" Bank rating = 2 points
- "E" Bank rating = 1 point
- No information or incorrect submitted = 0 points

The service provider to provide list of key personnel (Civil Engineer, Mechanical Engineer, Electrical Engineer and the Construction Health and Safety Agent) including CV's, qualifications, experience & relevant certificates

Key personnel with at least:

- Information submitted for all items listed above = 5 points
- Information submitted for four (4) items listed above = 4 points
- Information submitted for three (3) items listed above = 3 points
- Information submitted for two (2) items listed above = 2 points
- Information submitted for one (1) items above = 1 point

- No information submitted = 0 points

**Issue:**

It was noted that the following losing bidders were disqualified unfairly on functionality as they met the minimum functionality score of 50% as required by the entity

- Delta Built Environment consultants (Pty) Ltd
- Profteam CC

Delta Build Environment Consultants (Pty) Ltd had provided a list of comparable projects with contactable references, which were in line with the functionality contained in the bid documentation, but they were scored zero. Furthermore noted that Delta Build Environment Consultants (Pty) Ltd provided two of the three relevant information for the key personnel who will be working on the tender, which was the Civil Engineer, Mechanical Engineer, Electrical Engineer and the Construction Health and Safety Agent. However the bidder was scored 1 point instead of 3 points as per the bid documentation

Proteam CC provided two of the three relevant information for the key personnel who will be working on the tender which were the Civil Engineer, Mechanical Engineer, Electrical Engineer and the Construction Health and Safety Agent. However, the bidder was scored 0 points, instead of 3 points as per the bid documentation.

Furthermore, noted that Bvi Consulting Engineers Central, Delta Built environment Consultants and IX Engineers had all provided a bank letter with bank ratings and were not rated a full score, the bidders were rather rated based on the ratings whereas the bidding documentation only specifies that a letter from the bank will receive 10 points. No breakdown of points is stipulated in the invitation to tender; therefore, the BEC has deviated from the adjudicating criteria as per the bid documentation

Therefore not all bids were evaluated and adjudicated as per the bid documents

**The detail of the functionality calculation are as follows: (Minimum functionality score required= 50%)**

Delta Build Environment Consultants			Members of the Bid evaluation committee							Auditors evaluation		
No.	Evaluation Criteria	Weighting factor(%)	Dumizani Mabunda	Hazel Ratomb o	Duduzile Maseko	Kamogelo Tshabalala	Goodwi II Lukhelo	Average score	Scoring	Weighed score	Difference	
1	Work force	30	1	1	1	1	1	6,0	3	18,00	-12	
2	Work experience	30	0	0	0	0	0	0,0	5	30,00	-30	
3	Location and distance of the office/s to the boarder post	30	1	1	1	1	1	6,0	1	6,00	0	
4	Financial Credibility	10	0	0	0	0	0	0,0	0	-	0	
Total		100	2	2	2	2	2	12		54,00	-42	
Functionality score								12		54	-42	

Profteam CC			Members of the Bid evaluation committee					Auditors evaluation			
No.	Evaluation Criteria	Weighting factor(%)	Dumizani Mabunda	Hazel Ratomb o	Duduzile Maseko	Kamogelo Tshabalala	Goodwill Lukhelo	Average score	Scoring	Weighed score	Difference
1	Work force	30	0	0	0	0	0	0,0	3	18,00	-18
2	Work experience	30	5	5	5	5	5	30,0	5	30,00	0
3	Location and distance of the office/s to the boarder post	30	1	1	1	1	1	6,0	1	6,00	0
4	Financial Credibility	10	4	4	4	4	4	8,0	5	10,00	-2
	Total	100	10	10	10	10	10	44,0		64,00	-20
	Functionality score							44		64,00	-20

### Impact of the finding

- The trading entity did not comply with the Preferential Procurement Regulation of 2017 which will result in irregular expenditure
- The expenditure to date (R 915 563.92) on the contract is irregular expenditure.

### Internal control deficiency

#### *Financial and Performance Management*

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

The evaluation committee did not adequately award points for functionality criteria according to the specification

### Recommendation

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should disclose the Irregular Expenditure of R 915 563.92.

Management should perform further investigation to determine the extent of the non-compliance as well as the other instances where this non-compliance may have occurred.

### Management response:

I am not in agreement with the finding for the following reasons and supply the following information in support of this

**Prof-team:**

- We note that the civil, electrical and mechanical engineer and the CHSA has submitted their professional registrations. However upon scrutiny the construction health and safety agent personnel is not included in the organogram and further did not submit the ID, CV & Qualification of Construction Health and Safety Agent.

The scoring of the workforce is as follows hence it was scored zero:

The service provider to provide proof of work force to execute the project (Company organogram with ID's and CV's for confirmation of employed work force). Professional registrations for Civil Engineers, Electrical Engineers, Mechanical Engineers/Technologists and CHSA.

1. Submission of company organogram indicating the Civil Engineer, Mechanical Engineer, Electrical Engineer/Technologists and CHSA workforce for key persons who will be involved on this specific project
2. Submission of an original certified copies of ID's and qualifications for confirmation of employment for Civil Engineer, Mechanical Engineer, Electrical Engineer/Technologists and CHSA for the key persons who will be involved on this specific project
3. Submission of CV's and proof of Professional registrations for key persons (Civil Engineer, Mechanical Engineer , Electrical Engineer / Technologists) and CHSA who will be involved on this specific project

Information submitted including all three (3) items listed above = 5

Information submitted including any two (2) items listed above = 3

Information submitted including any one (1) of the above = 1

No information submitted = 0

**Delta:**

- The bidder did not submit company organogram and Construction Health and Safety Agent ID copy and was scored one based on the above scoring points.
- The list of comparable projects by Delta are 3, it was an oversight that there were scored zero however the overall score is 30% below the minimum functional score. This does not change the fact that the service provider would still not have qualified for the minimum score for functionality

Banking Rating letter.

The service provider to submit adequate financial resources. Original letter from the bank indicating the bank rating within 6 months from issued date. By submitting only one part of the requirement, does not constitute a score as the requirements needs to be met as per the prequalification criteria. Please refer to PA 01 on the tender file.

**Auditor's conclusion**

Management's comments have been received and noted.

## **Proftteam**

Inspected the organogram, it was noted that Willem Janse van Rensburg and Fritz Weinick were Occupational Health and Safety personnel and upon further inspection of the CVs of key personnel, Martin Mechanic was also recorded as Occupational Health and Safety Officer.

The CV and ID copy of Willem Janse van Rensburg was on hand. He is registered with the South African Council for the Project and Construction Management Professions (SACPCMP), the Institute of Occupational Safety Management (IOSM) and the Institute for Work at Height (IFWAH), but the certificates except for the IFWAH certificate were expired as at the tender closing date of 28-Oct-19.

The CV of Fritz Weinick was on hand. He had a valid SACPCMP certification as a Construction Health and Safety manager, but there was no ID copy.

The CV of Martin Mechanic was on hand. He was registered with SACPCMP but the certificate expired as at closing date and there was no ID copy.

As such, the only requirement that was met by the OSH officers was:

- Submission of company organogram indicating the Civil Engineer, Mechanical Engineer, Electrical Engineer/Technologists and CHSA workforce for key persons who will be involved on this specific project

Which means that 1 point should have been awarded for the Workforce evaluation criteria instead of 0 points.

Also inspected the bank approval letter and confirmed that a B rating was provided and the score is correct as a 4.

**Based on the above information, the recalculated functionality score is as follows:**

No.	Evaluation Criteria	Weighting factor (%)	Scoring	Weighed score
1	Work force	30	1	6.00
2	Work experience	30	5	30.00
3	Location and distance of the office/s to the border post	30	1	6.00
4	Financial Credibility	10	4	8.00
	Total	100		50.00

The recalculated functionality score indicates that Proftteam would have qualified for functionality as it does reach the minimum 50% requirement and should have been evaluated further.

## **Delta**

Confirmed upon inspection of the proposal that there is an organogram (page 25) and Mark Winter is the Occupational Health and Safety Officer.

Confirmed there is a CV and a valid SACPCMP certification as a Construction Health and Safety manager for Mark Winter, however there is no certified ID copy.

Because the organogram was found, that means that the following items were provided:

- Submission of company organogram indicating the Civil Engineer, Mechanical Engineer, Electrical Engineer/Technologists and CHSA workforce for key persons who will be involved on this specific project
- Submission of CV's and proof of Professional registrations for key persons (Civil Engineer, Mechanical Engineer, Electrical Engineer / Technologists) and CHSA who will be involved on this specific project

Therefore a score of 3 points should have been awarded for the Work Force evaluation criteria instead of 1 point.

Management has mentioned that a score of 3 was awarded for the Work Experience evaluation criteria and after inspecting the list of completed projects, it was confirmed that there were 3 projects related to repair and maintenance projects.

**Based on the above information, the recalculated functionality score is as follows:**

No.	Evaluation Criteria	Weighting factor (%)	Scoring	Weighed score
1	Work force	30	3	18.00
2	Work experience	30	3	18.00
3	Location and distance of the office/s to the border post	30	1	6.00
4	Financial Credibility	10	0	-
	Total	100		42.00

The recalculated functionality score indicates that Delta would have not have qualified for functionality as it does not reach the minimum 50% requirement.

In conclusion, the finding related to Delta has been resolved, but the finding for Profteam remains.

Therefore, the finding as a whole remains.

## PMTE HO COFF 30 - Procurement and Contract Management - local content

### Requirements

*Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...”*

*Section 41 of the PFMA requires that ‘An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require’*

National Treasury Designated Sector Instruction Notes paragraph 7.1 states that “Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.”

### Nature

During the audit of procurement management, we could not obtain evidence that DTI (Department of Trade and Industry) was notified of the successful bidders and the value of the contract. Furthermore, we could not obtain evidence that DTI was provided with copies of the contracts and the bidder's SBD 6.2 certificate. The contracts listed below had the local content as the requirement:

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
1	Johannesburg	JHB 19/43	Repair and Maintenance of Electrical and Mechanical Installations excluding boilers, clarifiers and steam pipes	Inkwali Fabrication and Maintenance (Pty) Ltd	R102 000 000,00
2	Johannesburg	JHB 19/33	CLEVELAND POLICE STATION: REPAIRS AND MAINTENANCE	Musan Trading Enterprise	R101 030 801,70
3	Johannesburg	JHB19/32	Vereening Police Station : repairs and repair and renovation	Musan Trading Enterprise	R 96 834 927,98
4	Cape Town	RFQ9916	Supply and delivery of Office Furniture	Belinda Creative Interior Décor	R279 000,00
5	Port Elizabeth	PE12/2019	Hankey Police complex: Construction of police station and demolishing of existing structures	GVK Siya Zama Building Contractors(Cape)(Pty) Ltd	R101 906 735,00
6	Port Elizabeth	PE18/2019	Bulembu SAPS Air Wing :Repairs & maintenance of electrical ,civil, mechanical,& structural elements of the complex	Sinclair Gersahn Troskie Construction CC	R66 179 257,40
7	Port Elizabeth	PET15/2019	Queenstown and surrounding areas : Term contract : Electrical repairs for the period of 24 Months	RGA electrical project management & contracting	R5 650 000,00
8	Port Elizabeth	PE19/2019	Port Elizabeth: Department of labour employment factory complete repairs &renovations for contract 3	Homeless Build Construction (HBC)	R39 812 018,00

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
9	Bloemfontein	BL20/031	Correction on Completion for retention contract	Shikmiya Building Construction	R30 590 780,00
10	Polokwane	PLK19/13	Thohoyandou Magistrate office: Repair and Renovations	Bongekile Contractors CC	R23 983 000,00
11	Polokwane	PLKQ 20/Covid 19/03	Decontamination of facilities- Department of Justice Magistrate court	Servest (Pty) Ltd	-
12	Head Office	H20/012A	Dolomite Risk Management Strategy (DRMS): Thaba Tshwane Personell School Upgrading of Civil Engineering Wet Services	Zidlaphi Kgomo and Associates CC	R63 703 409,75
15	Head Office	H19/024AI	Land Ports of Entry - Boesmansnek, Ongeluksnek and Ramatseliso - Appointment of Service Provider for Maintenance & Repairs of Building, Civil, Mechanical, Electrical Infrastructure and Installations for 36 Months	Magwa Construction	R16 466 905,20
16	Head Office	H19/023AL	Groblesrsbridge and stockpoort land ports of entry : Appointment of a service provider for the maintenance and repairs of buildings, civil, mechanical and electrical infrastructure and installations for a period of 36 month	BMK Electro Mechanical(PTY) LTD	R29 740 094
17	Head Office	H20/008AI	Contract Supplier: ASCUL CONSTRUCTION CC Description: Ramatlabama, Bray, Makgobistad & Skipadsnek Land Ports of entry 36 Months repair and maintenance	ASCUL Construction CC	R61 131 972,91
18	Head Office	RFQ4275	Supply of hand sanitiser, and foot operated pumps	Rebaone Excellent Trading	R85 700
19	Nelspruit	NST 20/024	Witbank Prison: Boiler operation and scheduled maintenance for 12 Months	Khado Zondo JV Inkamberni Trading	R1 705 000,00
19	Mthatha	MTH68/2018	Coffee Bay SAPS: Installation of septic tank, generator set and supply electrical upgrade	Purple Pansy 101 CC	R1 763 571,00
20	Mmabatho	MMB 2019/084 EC	Rooigrond Prison: Condition based maintenance of electrical and mechanical	Lindokuhle & FV Trading JV	R24 323 342,34
21	Mmabatho	MMB 2019/084 EC	Rooigrond prison repair maintenance and operation of water sewer Supplier: FV trading enterprise (PTY) LTD	FV trading enterprise (PTY) LTD	R36 457 188,78

### Impact of the finding

This also results in a limitation of scope as no evidence was provided that the DTI was notified of the successful bidder and the value of the contract for local content.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

## **Recommendation**

Management should:

- Ensure that appropriate internal controls regarding proper filling and record keeping are in place to ensure that documentation is easily and readily available.
- provide evidence that the DTI was notified of the successful bidder and the value of the contract for local content

## **Management response:**

I am in agreement with the finding with the exception of item 9 for Bloemfontein, item 12 and 16 for Head office. This were reported to DTI. See attached proof of submission to DTI.

## **Auditor's conclusion**

Management response noted however for Item 16 only appointment letter of the service provider is attached in the email therefore there's still no proof that this award was reported to DTI. For item, 9 and 12 only PA-11 was attached and no proof that these awards were reported to DTI therefore the finding is not resolved.

The finding will be included in the management report as internal control deficiency as DTI was not notified of the successful bidder and the value of the contract for local content.

## PMTE HO COAF 39 - Limitation of scope on RFI 179

### Requirements

Section 41 of the PFMA requires that '*An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require.*'

*The Engagement letter paragraph 68 states that "Requests for information will be submitted via email to the relevant person responsible, as assigned by the Accounting Officer for distribution and a carbon-copy (CC) will be forwarded to the CFO and the Accounting Officer (management):*

- *Management has **3 working days** to submit the information requested from the date the request was made.*
- *Failure to submit the information requested within the agreed timeframe will result in an audit finding and if material, individually or in aggregate, will impact the audit opinion."*

### Nature

During the audit, the following requested information was not submitted to the auditors within the required timeframe and is to date still outstanding:

RFI no.	RFI issue date	RFI due date	Information outstanding
179	29-Jul-21	02-Aug-21	Please provide the following documentation relating to compliance with Regulation 12(2) of the B-BBEE Regulations: - Proof that Form B-BBEE 1 (2019-20) was submitted to the B-BBEE commission – Include attachments to the submission as well - 2. Proof that Form B-BBEE 1 (2019-20) (and the approved 2019-20 annual financial statements and 2019-20 annual report) was submitted to the BBBEE Commission within 30 days after the relevant authority had approved the 2019-20 annual financial statements and the 2019-20 annual report

### Impact of the finding

A limitation of scope on the planned audit procedures should the information not be received within the next five days

Furthermore, inefficiencies are noted in the audit due to the fact that additional time has to be spent following up on outstanding information that is overdue, thus impacting on the budget of the audit.

### Internal control deficiency

#### *Financial and performance management*

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

### Recommendation

Management should ensure that:

Appropriate internal controls regarding proper filling and record keeping are in place to ensure that documentation is easily and readily available;

Officials within the department are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe;

Procedures are put in place to enforce compliance with internal controls regarding submission of information as requested by the AGSA within the agreed upon timeframe as per the engagement letter;

Priority is given to the outstanding information as indicated above and that such information is submitted without further delay.

### **Management response**

I am in agreement with the finding. However, the information was subsequently submitted.

There is much uncertainty with regard to the issue of reporting on BBBEE, that requires clarification and clear guidelines to departments and Trading Entities by the Department of Trade, Industry and Competition (DTIC) and the Commissioner of BBBEE.

There is inconsistency between the relevant Act and the Regulations. The DTIC has communicated via a letter (attached) that some work still needed to be done on the regulations so that they be completely aligned with the principal act. This has not happened as yet. As part of that direction, it was never envisaged that government departments and their trading entities pay for compliance verification. Also there are no clear guidelines as to how this issue needs to be dealt with by departments.

### **Auditor's conclusions**

Management agrees with the finding therefore, the finding will be included in the MR as non-compliance as management did not submit the information within 30 days after approval of the 2019-20 audited annual financial statements to the B-BBEE Commission.

## **PMTE HO SCM COFF 20 - Limitation of scope on information**

### **Requirements**

Public Finance Management Act (PFMA) section 40 (1) (a) states that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

Furthermore, Section 41 states that “*An accounting officer of a trading entity must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require...*”

Paragraph 15 of the Public Auditing Act states that the Auditor-General has at all reasonable times full-unrestricted access to -

- “(a) Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- “(b) Any of the assets of or under the control of the auditee; or
- “(c) Any staff member or representative of the auditee...”

### **Nature**

During the audit of supply chain management, request for information numbers 35 and 36 were issued on 16 and 17 March 2021 respectively requesting for the provision of all the contract and all bid documentation for as well as all the unsuccessful bidders' documentation. Information for SKG (PTY) LTD who was an unsuccessful bidder for tender no PT18/086 was not submitted by management.

### **Impact**

The above may result in the following:

- Non-compliance with section and 40(1) (a) (i) of the PFMA.
- Non-compliance with the PFMA section 41.
- Limitation of scope as we were unable to obtain sufficient and appropriate audit evidence to complete the audit and this can lead in unfavorable audit outcomes.
- Increased time spent to request and collect audit documentation may result in delays in finalising the audit and increase in the audit fee.

### **Internal control deficiency**

#### ***Financial and performance management***

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Management did not prepare accurate and complete financial reports that are supported and evidenced by reliable information.

### **Recommendation**

It is recommended that:

- Management submit reliable information requested and be provided to the AGSA within three days from the date of this request.
- Officials within the entity are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe.

### **Management response**

I am in not agreement with the finding for the following reasons. The file had been misplaced and is still been looked for.

### **Auditor's conclusion**

Management response noted the finding will be included in the Management report as the file is still not submitted for audit

## **PMTE HO COAF 35 Procurement and Contract Management - Misrepresentation by the winning bidder (false declaration)**

### **Requirements**

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that "*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*"

Section 38 (1) (c) (ii) of the PFMA states that: "*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*"

Treasury Regulation 16A6.3 states, "*The accounting officer must ensure that bid documentation and the general conditions of a contract are in accordance with the instructions of the National Treasury or the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry.*"

Preferential Procurement Regulation 4(2) states: "*A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender*

### **Nature**

### **Head Office**

During the audit of tender No H20/012A to the value of R63 703 409.75 was won by Winning bidder Zidlaphi Nkomo & Associates CC. The Department on 03/02/2021 accepted this tender. The bidder submitted all required documents for the responsiveness criteria as required by the PA-04(EC) Notice and Invitation to Tender.

One of the responsiveness criteria was submission of PA-11: Declaration of Interest and Tenders Past Supply Chain Management Practices. The winning bidder submitted and completed by the document. Dumaza Nkomo (member) submitted and signed the certificate on the 29/10/2020 declaring independence on behalf of the winning bidder, Zidlaphi Kgomo and Associates cc.

As per paragraph 3.11 of the PA11 Declaration of Interest and Bidder's Past Supply Chain Management Practices which states

*"Do you or any of the bidder/ directors /trustees /shareholder/ members of the company have any interest in any other related companies whether or not they are bidding for this contract."*

The winning bidder declared when they completed PA11 declaration indicated that they or any of the above-mentioned parties do not have any interest in any other related companies whether or not they are bidding for this contract

Through search performed on CIPC noted that the director of Zidlaphi Kgomo is also a director in the following companies

- Malanda Investments
- ZKA investments
- Malanda Advisory services
- Locitrim

Additionally. This indicates false declaration of interest and the supplier had other companies as noted by CSD reports

No	Service provider:	Description of contract:	Tender No	Tender Value
1	Zidlaphi Kgomo and Associates CC	Dolomite Risk Management Strategy (DRMS): Thaba Tshwane Personell School Upgrading of Civil Engineering Wet Services	H20/012A	R63 703 409.75

## **Impact**

- Non- compliance with PFMA Section 38
- Non- compliance with Treasury Regulation 16A6.3
- Preferential Procurement Regulation 4(2) as the bidder did not meet pre-qualifying criteria.
- Understatement of irregular expenditure by an amount of R4 856 987, 15.

## **Internal control deficiency**

Financial and performance management: Review and monitor compliance with applicable laws and regulations.

Leadership: Exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

- Management did not implement adequate control processes to ensure compliance to applicable SCM processes, particularly as it relates to compliance to pre-qualification criteria.

## **Recommendation**

It is recommended that management should consider the following:

- To improve the control environment to enhance the prevention and detection of non-compliance with PPR Regulations during evaluation of bids.
- Management should enhance the SCM compliance checklist by ensuring that the pre-qualifying checklist is reviewed to ensure that the reviewer will detect any matters, which the compiler might have missed.

## **Management response**

I am not in agreement with the finding above due to the following reasons:

The department does not view the non-declaration as a “false declaration” given that the interpretation of what constitutes a “related company(s)” is not defined but rather left to interpretation of both parties i.e. the bidder and the department. Additionally, the extent of companies in which a bidder has interests can also be found on the CSD report for that specific company. Since this is a public platform this information cannot be hidden.

Notwithstanding the above and recognizing that National Treasury is the developer and custodian of the Declaration of Interest and Bidders Past Supply Chain Management Practices Form, the DPWI sought formal guidance/clarification from National Treasury. This was done via DPWI clarification request dated 1 March 2021 attached hereto as Annexure A. National Treasury responded via letter dated 21 March 2021 attached hereto as Annexure B. The DPWI letter fully explains the issue at hand and the National Treasury response letter is self-explanatory. Based on this the Department does not agree with the finding.

## **Auditor’s conclusion**

Management response has been noted. Inspected a letter dated 1 March 2021 from PMTE to treasury requesting clarity regarding paragraph 2.11 of the standard bidding document also known as SBD 4 and a response from treasury. Paragraph 4 of the letter from treasury states that *"The Companies Act, section 2(1)(a)-(c) makes provision for types of relationships that can exist. Therefore, in relation to the paragraph 2.11 on the SBD4, (read in conjunction with SBD 8 and SBD 9), the bid document is intended to address the requirements of Treasury Regulation 16A9, avoiding abuse of the supply chain management system. Refer to section 2 of the Companies Act*

*2008 for the interpretation of "related companies." At face value this could be considered a false disclosure by the bidder. However, considering that the department is also not clear on the interpretation of "related companies" then it can stand to be interpreted that the bidder could have interpreted the clause as per the bidder's understanding. It would therefore not be prudent for the bidder's response to be judged at face value. To uphold the principle of fairness, the accounting officer may clarify the response with the bidder to understand what the bidder understood by the clause and take a decision based on the bidder's response to the clarification. The intent of the bid document is to assist the accounting officer prevent the abuse of the supply chain system through the identification and management of any potential conflicts of interest that may arise. There is no conclusive answer that can be given because each disclosure must be evaluated on its merits and on its impact on the procurement process at hand.'*

*It is stated in the response from treasury that entity to uphold the principle of fairness, the accounting officer may clarify the response with the bidder to understand what the bidder understood by the clause and take a decision based on the bidder's response to the clarification. PMTE did not obtain clarity from the bidder on how they understood clause 2.11 of PA.11 therefore the finding is not resolved.*

## **PMTE HO COFF 12 -Lease payments not in line with the deviation approved by National Treasury for DoH office accommodation**

### **Requirements**

Section 38(1) (a) (i) of the Public Finance Management Act states that: “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 38 (1) (b) of the PFMA states that “*The accounting officer for a trading entity is responsible for the effective, efficient, economical and transparent use of the resources of the trading entity...*”

Section 38 (1) (c) (ii) of the PFMA states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*”

Treasury Regulation 8.1.1 state that “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported on...*”

Treasury Regulation 8.2.2 states that “*Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or condition attached to the delegation or authorisation.*”

National Treasury SCM Instruction No 3 of 2016/17 paragraph 8 states that “*8.5 any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant national treasury...*”

GRAP 13, paragraph 40 states that “*Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit...*”

GRAP 13, paragraph 42 states “*Lessees shall, in addition to meeting the requirements of GRAP 104, make the following disclosures for operating leases:*

*(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:*

- (i) not later than one year;*
- (ii) later than one year and not later than five years; and*
- (iii) later than five years;*

GRAP 13, paragraph 60 states that “*Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished...*”

The PMTE accounting policy on operating leases note 1.4 to the financial statements states that “*Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being renegotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability...*”

## Background

### **Department of Cooperative Governance and Traditional Affairs tender – PT10/086**

On 4 April 2019, DPWI invited prospective bidders to tender for the procurement of office accommodation for the Department of Cooperative Governance and Traditional Affairs (COGTA) – **Tender PT10/086**.

The requirements as per the advert, which closed on 30 April 2019 on the Government Tender Bulletin were as follows:

- Leasing of office accommodation of 21 248 m<sup>2</sup>
- 705 parking bays;
- For a period of 7 years; and
- In Arcadia, Brooklyn, Hatfield or Thaba Tshwane.

Event No.	Details
1	<b><u>Procurement process 17 June – 25 October 2019</u></b>  The procurement process unfolded from the regional office in line with the SCM delegation. Evaluation was undertaken by the Regional Bid Adjudication Committee (BAC) and award was approved by the National BAC Leasing on the 25 October 2019.
2	<b><u>Appointment letter and signed agreement</u></b>  Hiroworx was appointed as the successful bidder on 1 November 2019 for PT10/086 and the lease agreement was signed on 6 December 2019. Commencement date on the agreement was noted as the date on which the lease commences, which date may not be earlier than the date of occupation or a month after the lessor has completed the agreed tenant installations.
3	<b><u>Details as per schedule A and B of the signed contract and appointment letter</u></b>  <ol style="list-style-type: none"><li>1. 21248 m<sup>2</sup> @ R116.00 p/m<sup>2</sup> for offices totalling R2 464 762.20 per month (Vat exclusive).</li><li>2. 705 Parking bays @ R750.00 p/bay totalling R528 750.00 (VAT exclusive).</li><li>3. Operating cost at R15.00 per square metre, (VAT exclusive).</li><li>4. Storage of 400m<sup>2</sup> at R67.26 per square metre, (VAT exclusive).</li></ol> <ol style="list-style-type: none"><li>5. The rental will commence on the date of occupation and shall escalate annually on the anniversary of the lease by 7%.</li><li>6. The initial lease period will be for a period of 7 (seven) years.</li><li>7. The Department confirms that it shall be liable for water and electricity consumption, domestic cleaning services, consumable supplies, refuse</li></ol>
4	<b><u>Letter from COGTA dated 31 January 2020</u></b>  COGTA requested PMTE to acquire alternative office accommodation due to the fact that they would not be able to move to the building due to its proximity to a quarry/ mine.

Below is background to another process that was initiated for the DoH requirements for office accommodation, prior to the suggestion for them to substitute COGTA.

#### **Department of Health (DoH) Tender:**

On 5 July 2019, DPWI advertised Tender Number **PT19/008** which invited prospective tenderers for the supply and letting of office accommodation to DoH.

The advert which closed on 6 August 2019 indicated the following requirements:

- The office accommodation required comprised of 28 397.09 m<sup>2</sup> and 474 parking bays;
- The first preference was a single tenant building;
- The second preference was a multitenant/separate building in Acardia, Hatfield, Menlyn, Lynwood, Persequor Park, Centurion or Pretoria CBD; and
- The office accommodation was required for a period of 5 years.

Event No.	Details
1	<b><u>Procurement process</u></b>  The procurement process unfolded from the regional office in line with the delegation. Evaluation was undertaken by the Regional Bid Adjudication Committee (BAC).
2	<b><u>Request from DoH to participate in the COGTA contract 22 October 2019</u></b>  DoH has requested to participate in the COGTA contract and would like to submit their revised and reduced requirements of 12 000 m <sup>2</sup> instead of the initially required 28 397.09 m <sup>2</sup>
3	<b><u>Legal opinion and Bid Evaluation Committee (BEC) dated 7 November 2019 as a result of change in scope</u></b>  Due to the change in requirements by DoH a Legal Opinion was sought and the opinion indicated that this is a change of scope and if the process continues it will be prejudicial to those who did not tender based on the fact that the advert requested 28 397.09 m <sup>2</sup> instead of 12 000 m <sup>2</sup> . Subsequent to that, AGSA inspected an internal memorandum dated 7 November 2019 wherein the BEC indicated that Supply Chain Management (SCM) advised that the tender be cancelled and go out on open tender process due to the change in scope. The BEC recommended that the tender be cancelled and a new procurement be approached through shopping procedure due to the urgency.

An internal memorandum, dated 21 February 2020, was sent to the National BAC and Included in the memorandum was the request that COGTA be substituted with DoH as that would save the PMTE from incurring wasteful expenditure and possible litigation. The memorandum also stated that DoH had previously expressed interest in the Exxaro building.

A letter dated 22 November 2019 was also received from the acting director general of DoH indicating / reaffirming the required space accommodation. The audit team noted that the accommodation confirmed by the ADG of DoH is the same as the initial one / as per advertised tender information.

#### **National Treasury submission and approval:**

Event No.	Details
1	<b><u>A submission was made to National Treasury (NT) dated 6 March 2020</u></b>

Event No.	Details																																		
	<p>A submission was made to National Treasury dated 6 March 2020 and titled “Request National Treasury to approve/support substitution of COGTA as a tenant at Exxaro Building by Department of Health”. In the submission various reasons were made for the replacement with the primary reasons given as to avert wasteful expenditure and possible litigation.</p> <p>Included in the submission was the financial implications of <b>DoH</b> which PMTE wanted <b>NT</b> to approve. Refer below.</p> <p><u>Financial implications of the <b>DoH</b> lease as per <b>PMTE</b> submission to <b>NT</b></u></p> <p><b>Table 2</b></p> <table border="1"> <thead> <tr> <th colspan="2"><b>DEPARTMENT OF HEALTH LEASE</b></th> </tr> </thead> <tbody> <tr> <td>Total Space Required</td><td>28397,09</td></tr> <tr> <td>Total Storage Space</td><td>0</td></tr> <tr> <td>Total Number of Parking Bays</td><td>474</td></tr> <tr> <td>Lease Period</td><td>7 years</td></tr> <tr> <td>Annual Escalation</td><td>7%</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2"><b>FINANCIAL IMPLICATIONS</b></th> </tr> </thead> <tbody> <tr> <td>Monthly Rental</td><td>R4 686 846,61</td></tr> <tr> <td>Yearly Rental</td><td>R56 242 159,32</td></tr> <tr> <td>Year 1</td><td>R56 242 159,32</td></tr> <tr> <td>Year 2</td><td>R60 179 110,47</td></tr> <tr> <td>Year 3</td><td>R64 391 648,21</td></tr> <tr> <td>Year 4</td><td>R68 899 063,58</td></tr> <tr> <td>Year 5</td><td>R73 721 998,03</td></tr> <tr> <td>Year 6</td><td>R78 882 537,89</td></tr> <tr> <td>Year 7</td><td>R84 404 315,55</td></tr> <tr> <td><b>TOTAL COST OF LEASE</b></td><td><b>R486 720 833,05</b></td></tr> </tbody> </table> <p>In arriving to the financial implications stated above, the audit team noted that this was based on the same terms and conditions (Costing per m<sup>2</sup>) as per the COGTA appointment letter and signed lease agreement dated 1 November 2019 and 6 December 2019 respectively. For detailed calculations please refer to Annexure A.</p>	<b>DEPARTMENT OF HEALTH LEASE</b>		Total Space Required	28397,09	Total Storage Space	0	Total Number of Parking Bays	474	Lease Period	7 years	Annual Escalation	7%	<b>FINANCIAL IMPLICATIONS</b>		Monthly Rental	R4 686 846,61	Yearly Rental	R56 242 159,32	Year 1	R56 242 159,32	Year 2	R60 179 110,47	Year 3	R64 391 648,21	Year 4	R68 899 063,58	Year 5	R73 721 998,03	Year 6	R78 882 537,89	Year 7	R84 404 315,55	<b>TOTAL COST OF LEASE</b>	<b>R486 720 833,05</b>
<b>DEPARTMENT OF HEALTH LEASE</b>																																			
Total Space Required	28397,09																																		
Total Storage Space	0																																		
Total Number of Parking Bays	474																																		
Lease Period	7 years																																		
Annual Escalation	7%																																		
<b>FINANCIAL IMPLICATIONS</b>																																			
Monthly Rental	R4 686 846,61																																		
Yearly Rental	R56 242 159,32																																		
Year 1	R56 242 159,32																																		
Year 2	R60 179 110,47																																		
Year 3	R64 391 648,21																																		
Year 4	R68 899 063,58																																		
Year 5	R73 721 998,03																																		
Year 6	R78 882 537,89																																		
Year 7	R84 404 315,55																																		
<b>TOTAL COST OF LEASE</b>	<b>R486 720 833,05</b>																																		
2	<p><u>National Treasury response dated 24 March 2020</u></p> <p>National Treasury stated that they <b>support the deviation</b> on condition that the following concerns are addressed by DPWI:</p> <ul style="list-style-type: none"> <li>• Whether DPWI has conducted an environmental assessment to ensure the Department of Health's health and safety;</li> <li>• Whether the cost to lease is market related;</li> <li>• Whether COGTA incurred any fruitless, wasteful or tenant installations; and</li> <li>• Whether DPWI included any fruitless, wasteful and or irregular expenditure incurred by COGTA in the cost of leasing and or the period of the lease.</li> </ul>																																		

Event No.	Details
	The audit team reviewed information provided for audit purpose and found no proof to show that PMTE did provide clarification and information requested by the National Treasury and also that final approval was granted by National Treasury, therefore the whole process is irregular.
3	<p><b><u>Letter to DoH dated 9 April 2020</u></b></p> <p>PMTE informed DoH on 9 April 2020 that NT has approved the deviation, though based on the aforementioned it was a conditional approval.</p>

### **Addendum to the lease agreement**

Event No.	Addendum to the lease agreement dated 21 September 2020																							
	The addendum to the lease agreement was signed on 21 September 2020, by Hiroworx and DPWI.																							
	<u>Details of the lease agreement (Schedule A)</u>																							
1	3 <u>Lease period</u>	7	YEARS																					
	4 <u>Renewal period</u>	5	YEARS																					
	5 <u>Use of premises</u>	OFFICE AND PARKING FACILITIES																						
	6 <u>The lessee's pro rata share</u>	0	%																					
	7 <u>Commencement date</u>	01 Mar 2021 - See clause 3.4 refer to Addendum																						
	8 <u>Adjustment date</u>	01 Mar 2022 - See clause 3.4 refer to Addendum																						
2	9 <u>Escalation rate (%)</u>	Description	<table border="1"> <thead> <tr> <th></th> <th>On: Rental</th> <th>Operating costs</th> </tr> </thead> <tbody> <tr> <td>Offices</td> <td>7.0</td> <td>7.0</td> </tr> <tr> <td>Stores</td> <td>7.0</td> <td>7.0</td> </tr> <tr> <td>Retail</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Other</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Open parking</td> <td>0.0</td> <td>0.0</td> </tr> <tr> <td>Covered Parking</td> <td>7.0</td> <td>0.0</td> </tr> </tbody> </table>		On: Rental	Operating costs	Offices	7.0	7.0	Stores	7.0	7.0	Retail	0.0	0.0	Other	0.0	0.0	Open parking	0.0	0.0	Covered Parking	7.0	0.0
	On: Rental	Operating costs																						
Offices	7.0	7.0																						
Stores	7.0	7.0																						
Retail	0.0	0.0																						
Other	0.0	0.0																						
Open parking	0.0	0.0																						
Covered Parking	7.0	0.0																						
	10 <u>Termination date</u>	28 Feb 2028																						
	<u>Details of the lease agreement (Schedule B)</u>																							

Event No.	Period 1											
	Description	Nr/Area leased	Unit	Base Rent/unit	Expenses/unit	From date	To Date	Monthly Commencement Rent (ex VAT)	Monthly Expenses (ex VAT)	Total monthly rent (ex VAT)	VAT	Total monthly Rent (incl. VAT)
Offices	28397.09	sqm	R	116.00	R 19.00	March 1, 2021	February 28, 2022	R 3,294,062.44	R 539,544.71	R 3,833,607.15	R 575,041.07	R 4,408,648.22
Stores	0	sqm	R	-	R -			R -	R -	R -	R -	R -
Retail	0	sqm	R	-	R -			R -	R -	R -	R -	R -
Other	0	sqm	R	-	R -			R -	R -	R -	R -	R -
Open parking	0	bays	R	-	R -			R -	R -	R -	R -	R -
Covered Parking	474	bays	R	950.00	R -			R 450,300.00	R -	R 450,300.00	R 67,545.00	R 517,845.00
										Total monthly rent		R 4,926,493.22

### Auditor's findings

#### Issue 1

Based on the detailed background, Hiroworx was appointed after following a tender process and a lease agreement signed on 6 December 2019. When COGTA requested for alternative accommodation a request was made to National Treasury to approve the substitution of COGTA with DoH.

In the request that PMTE presented to National Treasury it included financial implications mentioned that the terms of the lease would remain the same. In arriving to the financial implications stated above, the audit team noted that this was based on the same terms and conditions as per the COGTA appointment letter and signed lease agreement dated 1 November 2019 and 6 December 2019 respectively. For detailed calculations please refer to Annexure A.

As per inspection of the addendum to the initial lease agreement signed on 21 September 2020 for substitution of COGTA with DoH, we noted that the rental per m<sup>2</sup> and escalation rate were maintained the same as R116 per m<sup>2</sup> and 7% respectively. However we noted some discrepancies in the rate charged for parking bays and operational cost.

The differences are stated in the table below

Description	CoGTA Signed Lease Agreement terms	DoH Signed Addendum Terms	Lease	Difference
Covered parking rate per bay	R750	R950		R200
Operating cost rate per sqm	R15	R19		R4

*Refer to schedule B of the attached respective lease agreements*

Through physical verification conducted by the audit team, it was noted that occupation of the building by DoH was only in March 2021. To date of this communication of audit finding, only three invoices have been paid covering rent, parking bays and operating costs for the month of March, April and May. These payments confirmed that PMTE is paying based on the DoH Signed Lease Addendum terms. The excess amount per month is as follows:

No	Month	Amount
1	March 2021	162 341
2	April 2021	239 647
3	May 2021	239 647
<b>Total to date</b>		<b>641 635</b>

The excess amount over the lease term [seven (7) years] is **R24 357 681, 85**. The amount paid as at 31 March 2021 should be considered as irregular expenditure and disclosed as such.

From the above, it is evident that when management approved the DoH Lease Addendum, they did comply with the National Treasury pre-conditions which stated that the terms and conditions of the DoH lease should be the same as those of COGTA and other limitations that were included in the letter from National Treasury.

#### Issue 2

During the audit of the aforementioned lease agreement, differences were noted between auditor's recalculations and amounts on the annual financial statement (AFS) (Supporting schedules) submitted for audit. Differences are highlighted in tables below.

#### Operating lease expenditure

Item No.	Archibus Asset	Straight-line amount per AFS	Recalculated Amount	Difference
1	167625	R 8 886 977,68	R 13 150 375,31	R (4 263 397,63)

#### Lease asset/liability

Item No.	Archibus Asset	Lease liability / asset balance as per AFS	Recalculated Amount	Difference
1	167625	R -	R (814 852,37)	R 814 852,37

#### Lease commitment

Item No.	Archibus Asset	Total amount disclosed in AFS	Total auditors recalculated Amount	Total differences
1	167625	R 440 710 153	442 866 306,77	R (2 156 153,77)

## **Impact**

- Non – compliance with Treasury Regulation 8.2.2 as management did not adhere to National Treasury approved rental payments
- Non – compliance with Treasury Regulation 8.1.1 as management did not ensure that internal procedures and internal control measures were in place for the approval and processing of rental payments.
- Non – compliance with Section 38(1) (b) of the PFMA as management did not use funds economically which could have been reprioritised in the furtherance of service delivery.
- Excess amount over the lease term [seven (7) years] of **R24 357 682**
- Understatement of irregular expenditure by **R162 341**
- Understatement of operating lease expenditure and revenue from exchange transaction by **R4 263 397**
- Understatement of lease liability / asset by **R814 852**
- Understatement of lease commitment by **R2 156 154**

## **Internal control deficiency**

### **Financial and performance management**

- Management did not implement adequate control processes to ensure that the terms of the lease as per the initial lease agreement remained unchanged
- Lack of controls to ensure review and monitoring of compliance with applicable laws and regulations as the rates on the addendum to the lease were not approved by National Treasury

### **Recommendation**

We recommend that:

- The accounting officer should investigate the reasons for the change in contractual terms without the required approval.
- The expenditure should be included in the irregular expenditure register.
- Initiating processes to recover the excess payments from the implicated officials and Hiroworx.

### **Management response:**

#### *Issue 1*

Management does not agree with the audit finding.

#### *National Treasury approval*

1. As a matter of principle, whenever the Department approaches the National Treasury for a deviation in terms of National Treasury SCM Instruction Note No. 3 of 2016/17, especially paragraph 8, it does so for an approval of strategy, which in this case was to **negotiate** and **engage directly with the potential service provider**, being the landlord. The SCM prescripts do not allow officials or institutions to engage with the market unless written approval has been granted by the delegated authority. With the approval of National Treasury SCM Instruction Note No. 3 of 2016/17, the Department found itself in a difficult position wherein it would require approval for a deviation, without which it is unable to

engage with the market, while National Treasury would require information such as financial implications, names of potential service providers and how same were sourced. This, as already mentioned, is against applicable SCM prescripts.

2. Consequently, whenever the Department approaches the National Treasury for an approval for a deviation, it does so with information either sourced from previous or current bids similar to the request made. In case of leases, where it is applicable, market rental of the area is used using information such Rode Report. In this case, National Treasury was approached with using the lease that had been signed for COGTA. It is acknowledged that the request to National Treasury was requesting substitution of COGTA with DoH which the current prescripts do not provide for such. The Department's approach to National Treasury was precipitated by the additional space from DoH, which was an increase from what COGTA was going to occupy. Hence the Department approached National Treasury for a negotiated strategy as indicated in the request to National Treasury below the Financial Implications paragraph.
3. The request to National Treasury was two-pronged *viz* approval for a negotiated procurement procedure and also to substitute COGTA with DoH on an already concluded valid lease agreement, though the latter is an administrative function within the scope of the Department. It must be noted that National Treasury does not approve a request for deviation, it instead supports same and approval is then granted, in this case, by the NBAC: L as delegated by the (Acting) Director-General.
4. Furthermore, the **support** of National Treasury was conditional that the Department submit certain information regarding the work that was done at Civitas in terms of paragraph 5 and 6, and 4 and 5 as your finding suggests. The information will be submitted once Projects have completed their assessment of Civitas. It is management's assertion that submission or non-submission of the said documents will not render the process irregular and the conclusion by the audit team is rejected. The conclusion that the non-submission of the said reports render the whole process as irregular is not supported in fact or in law.

*Addendum to lease agreement.*

5. After Treasury approval, as part of negotiations we requested the landlord to confirm the following amongst other things and DPW-08:
  - a) Availability of the space (additional)
  - b) Lease period as required
  - c) Parking bays
  - d) Condition of our standard lease
6. Unfortunately the landlord contested rental per parking bay and maintenance cost (Op Cost). The landlord raise two pertinent issue which where a deal breaker.
  - a) The lost of income all the unoccupied period on the Cogta lease.
  - b) Rate per square meter on operational cost.
7. The addendum was concluded and signed by the two parties after due process was followed. The Department and the landlord negotiated, in a bid to avert any possible fruitless and wasteful expenditure, rates on parking and operating. The rates that were used were based on the initial offer from the landlord. Same was submitted to the NBAC: L, which approved the request. As mentioned, this was to ensure that the period of COGTA lease, which potentially could have resulted in financial loss – for which the Department was not the responsible party – for the government was averted. It must be noted that

initially the landlord had offered parking at R950 per parking bay while operating costs was R19 per square meter. This predicament to the Department was precipitated by the arbitral withdrawal of COGTA from a duly procured and lawful lease agreement – a matter and concern Management would have expected the audit team to raise sharply and perhaps raise it with the audit team of COGTA – that management had to ensure that any potential wastage was avoided.

8. We had a precedent were a client failed to honour a lawful lease agreement and DPWI was hauled to court with no prospect of winning the case. Transaction analysis was that it is better to further negotiate and save state money on paying a COGTA lease in totality with no recusal. And again, in terms of Treasury's support for direct negotiation, allowance to negotiate with the landlord is given as long as it is market related rate. The rate agreed upon with the landlord is within the Rode report which DPWI use for baseline to determine the market rental. (Rode is attached).

#### */Issue 2*

Management is partially in agreement with the finding, please refer to differences according to management:

#### Operating lease expenditure

Item No.	Archibus Asset	Straight-line amount per AFS	Recalculated Amount	Difference
1	167625	8 886 977.68	14 568 151.28	- 5 681 173.60

#### Lease asset/liability

Item No.	Archibus Asset	Lease liability / asset balance as per AFS	Recalculated Amount	Difference
1	167625	-	- 2 343 871.73	2 343 871.73

#### Lease commitment

Item No.	Archibus Asset	Total amount disclosed in AFS	Total auditors recalculated Amount	Total differences
1	167625	440 710 153.00	442 170 773.04	- 1 460 620.04

No.	Detail response required	Management comment
1	Conformation that the indicated <b>non-compliance did occur</b> . [If management does not agree, please provide a motivation for the latter as well as the evidence to support the motivation.]	Management do not agree with the finding. The response is recorded in detail above.
2.	Indicate the <b>circumstances</b> that led to the non-compliance.	There was no non-compliance in this regard.
3	Did the <b>non-compliance resulted in or is likely to result in a financial loss</b> for the trading entity? [Note: Please provide a motivation for the response and evidence to support the response]	There is no financial loss as all rates are market related.
4	If the non-compliance resulted in or is likely to result in a financial loss for the trading entity, provide an <b>estimation of the quantum of the financial loss</b> . The detail on how the financial loss was estimated/ quantified should be provided with the supporting evidence.	All rates are market related and were approved by the National Bid Adjudication Committee Leasing.

### Auditor's conclusion

Management's comments are noted.

#### *Issue 1*

##### *National Treasury approval*

Regarding the issue of the National Treasury approval, management is referred to paragraph 8.5 of Treasury Instruction 3 of 2016/17 which clearly states that any other deviation from inviting competitive bids will be allowed in exceptional cases subject to the **prior written approval** from the relevant treasury.

Based on the letter dated 24 March 2020 from National Treasury, it is stated therein that the Department requested approval to deviate from the normal procurement process and appoint Hiroworx for office accommodation for the DoH.

The reasons provided to National Treasury was that the Department went out on a competitive bidding process for office accommodation for COGTA and that COGTA was no longer interested in the building. In order to avoid wasteful expenditure, the Department is said to have then approached DoH, who also required office space to occupy the building.

National Treasury in their response stated that the reasons for deviation were justifiable, however listed what they deemed to be not clear, as outlined in the finding above. In conclusion they stated that they support the deviation on condition that the concerns raised are attended to by the Department. This is therefore considered to be conditional approval dependent on the conditions stipulated being met. Therefore AGSA concludes that in the absence of these conditions being met there was therefore no "prior written approval" of the deviation from National Treasury as it is required by Treasury Instruction 3 of 2016/17 and thus our conclusion that the process was irregular.

Until management is able to provide evidence how the conditions were complied with, the finding will remain valid.

*Addendum to lease agreement.*

AGSA disagrees with the first part of management comments where it's stated that "After Treasury approval.....". Based on what has been previously outlined no final approval was granted by National Treasury as there were certain conditions to be met which have not been met.

Furthermore, the signing of the addendum is a variation order which requires approval from the National Treasury since the variation amount is more than R15 million (i.e. R24 357 681,85). However, no evidence was provided that the National Treasury approval was granted. Therefore, this is irregular expenditure.

AGSA notes the explanation by management that the reasons for the discrepancies in the rate charged for parking bays and operational cost was due to the fact that the landlord contested these costs raising the issue of the "*Loss of income for the unoccupied period on the COGTA lease*". Management further mentions that to prevent the possible fruitless and wasteful expenditure the Department reverted to the rates per the initial offer of the landlord.

AGSA therefore requests management to provide the calculation of loss of income due to the period that the building was unoccupied that was considered by the Department prior to entering into the addendum to the lease agreement. We would like to establish how management satisfied themselves that the option opted for was the feasible and most economical option.

The landlord want to recover the loss of income as if the excess space of 231 parking bays (705-474) will not be rented out to another tenant. Therefore, recovering the loss of income from the client is unjustifiable.

*Issue 2*

Management response noted. The differences will be updated to be in line with management response and the information provided. These differences will be evaluated and reported accordingly.

## **PMTE HO COAF 28 - Prequalifying criteria not met, deviation not approved and deviation not in SCM prescripts**

### **Requirements:**

Section 38(1)(a)(i) of the Public Finance Management Act states that: “*The accounting officer for a department, trading entity or constitutional institution must maintain –effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 38(1)(a)(iii) of the Public Finance Management Act states that: “*The accounting officer for a trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Preferential Procurement Regulation 4(2) states: “*A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.*”

Section 38 (1) (c) (ii) of the PFMA states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct*”

Treasury Regulation 8.1.1 state that: “*The accounting officer of the institution must ensure that internal procedures and internal control measures were in place for the approval and processing of payments. These controls provided reasonable assurance that all expenditure is necessary, is appropriate, is paid promptly and is adequately recorded and reported on...*”

Treasury Regulation 8.2.2 states that: “*Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or condition attached to the delegation or authorisation.*”

### **Nature**

The pre- qualifying criteria in the bidding documents states that **Category A** – refers to a segment where an enterprise individual owns a property which are not less than:

- 51% Black ownership;
- 51% Black management;
- 51% Black controlled; and
- With a BBB-EE certificate status level 4 or above assessed in terms of the Property Sector Code.

Inspected the tender document of the winning bidder (Hiroworx) and noted that during the evaluation and adjudication stage Hiroworx did not own the Exxaro building and this was evaluated further instead of being assessed as unresponsive as it did not meet the pre-qualifying criteria. Through inspection of title deed, it was confirmed that the ownership of the building was transferred to Hiroworx only in February 2020 whereas the BAC made the award to Hixoworx on 29 October 2019.

We also noted that PA-04: Notice and Invitation to tender for tender number PT18/086 stipulated amongst others, the following responsiveness criteria:

“1. “Submission of (PA-11): Declaration of interest and Tender’s Past Supply Chain Management Practices”

We inspected PA-11 signed by the supplier and noted the following issues

- Hiroworx did not disclose Ms Lindokuhle Nonkanyiso Mkhize, who is a Director of the company. According to CSD report for Hiroworx she was appointed as a Director on 17 January 2019 and the bid for Hiroworx was submitted on 30 April 2019. However, they only disclosed Mr Yahya Karolia as a Director and he was appointed on 14 January 2019.
- Ms Mkhize is also a sole Director of Nonkanyiso Investments, a company that owns 5% of Hiroworx, however, Nonkanyiso Investments is not listed as a shareholder on the declaration of interest forms.
- The CSD Registration report of Hiroworx further shows that the company has two other shareholders, and we confirmed that those directors were not listed in PA-11.

Hiroworx did not meet 2 of the pre-qualifying criteria's therefore they should have been disqualified at pre-qualifying stage, as legally they did not own the building and they did not complete PA-11 in full.

## **Impact**

- The impact of the finding is irregular award of the contract to Hiroworx (Pty) Ltd.
- Non-compliance with Preferential Procurement Regulation 4(2) as the winning bidder did not meet the pre-qualifying criteria

## **Internal control deficiency**

Financial and performance management: Review and monitor compliance with applicable laws and regulations.

Leadership: Exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

- Management did not implement adequate control processes to ensure compliance to applicable SCM processes, particularly as it relates to compliance to pre-qualification criteria.

## **Recommendation**

It is recommended that management should consider the following:

- To improve the control environment to enhance the prevention and detection of non-compliance with PPPFA Regulations during evaluation of bids. This is to ensure that all evaluation criterion documented in the bid document are used and applied consistently throughout the evaluation and adjudication of all bids. Also to ensure that any non-compliances are pro-actively identified.
- Ensure that training is provided on the implementation of internal controls and processes in place for reviewing of declaration of interest forms during evaluation of bids.
- Bidders who do not meet the pre-qualifying criteria are regarded as unacceptable as per the regulation.
- Reporting the appointment of Hiroworx as irregular and all payments made to be regarded as irregular expenditure and should be disclosed as such in the annual financial statements due to the non-compliance with the PPR and PFMA requirements.
- Conducting an investigation to determine the facts surrounding the irregular appointment of Hiroworx as outlined in the findings above.
- As part of the investigation, identifying any responsible people and instituting appropriate consequence management.

**Management does not agree with the audit findings:**

1. In terms of the PA04 (LS): Notice and Invitation to Bid, only bidders who are responsive to the following responsiveness criteria are eligible to submit bids:
2. One of the elements of the responsive criteria were as follows;
3. If the bidder is an agent, a copy of the mandate from the owner must be submitted with the bid document or in case a prospective buyer the signed purchase agreement must be submitted or a Title Deed.
4. In this particular case Hiroworx submitted a valid purchase agreement. (See attached Annexure A). Within the leasing environment and to verify ownership, one either submits **Proof of Ownership** if the bidder is the actual owner or/an **Offer to Purchase**

if the bidder is the prospective buyer or a **Mandate** from the owner if the bidder is an agent.

5. In this case the bidder (Hiroworx) submitted a sale of shares and claims agreement with Growthpoint and as such, on conclusion of agreement, Hiroworx would acquire the entire share capital and claims in GRT Bloekom.

Please find attached agreement (**see attached Annexure A**)

PA11:

1. In terms of the PA15.1, Mr Yayha Karolia has fully completed the form as a director and has also complied with the requirements of the PA11 in terms of ensuring that the forms are fully completed. In addition, a mandate letter duly signed by Ms. Lindokuhle P Mkhize and Mr. Yahya Ismail Karolia is attached (**see attached Annexure B**), which gave Mr Karolia the mandate to sign, negotiate and conclude all the documents for and on behalf of the company in respect of submitting the tender application. The form COR14.3- Registration Certificate further shows that Mr Yayha Karolia is the director of Hiroworx (**see attached Annexure C**). DPWI was in possession of the CSD of Hiroworx when the mentioned tender was approved. The committee verified the status of all directors to ensure compliance to tax and ensure that none of the directors was an employee of the state. The status of all the directors and companies complied to the conditions as stipulated above (**see attached annexure D, CSD report**)

#### **Auditor's conclusion**

Management response has been noted on the issue of ownership and the finding is resolved

PA-11 was not fully completed as not all directors of the company were listed under par 3 of PA 11 therefore the supplier did not meet the pre-qualifying criteria and should have been disqualified at pre-qualifying criteria. Therefore, the entire finding remains, as the award made to Hiroworx is Irregular.

#### **Issue 2- Deviation not approved**

##### **Requirements:**

*Section 38(1)(a)(iii) of the Public Finance Management Act states that: "The accounting officer for a trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective..."*

National Treasury SCM Instruction No 3 of 2016/17 paragraph 8.5 states that: “*8.5 Any other deviation will be allowed in exceptional cases subject to the prior written approval from the relevant national treasury.*”

*Treasury Regulation 16A6.4 states that “If in a specific case it is impractical to invite competitive, the accounting officer or accounting authority may procure the required goods and services by other means provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting*

### **Nature**

During the audit we noted that the department requested approval from national treasury to substitute COGTA as a tenant at Exxaro Building by Department of Health. Inspected a letter from National Treasury responding in a letter dated 24 March 2020 stating that they support the deviation to substitute COGTA with DoH on condition that the following concerns are addressed by PMTE :

- Whether DPWI has conducted an environmental assessment to ensure the Department of Health's health and safety;
- Whether the cost to lease is market related;
- Whether COGTA incurred any fruitless, wasteful on tenant installations; and
- Whether DPWI included any fruitless, wasteful and or irregular expenditure incurred by COGTA in the cost of leasing and or the period of the lease.

The National Treasury also requested DPWI to provide the following additional information:

- The scope of work for the previous renovations into the Civitas Building where DoH was housed the cost incurred to bring the building to OHSA standards;
- The assessment report concluded by the professional service providers on the building prior to renovations/ re-construction; and
- System generated payments made to all contractors that worked on the Civitas Building and the close out report/s.

Inspected the documents that was submitted by PMTE for audit and we could not find proof to prove that the DPWI did provide clarification and information requested by the National Treasury and that National Treasury granted that final approval. On the National Treasury website the deviation status is still indicated as “conditional support”. However, we noted that DPWI informed DoH on 9 April 2020 that NT has approved the deviation, which we cannot confirm because the approval was not submitted to the auditors.

Inspected and audited the initial tender process that was followed by DPWI to appoint Hiroworx (Pty) Ltd, and the initial lease agreement that was signed by DPWI and Hirroworx and confirmed that the award was made irregularly refer to issue 1 for details. It was further noted that the initial lease contract signed by DPWI and the addendum the amounts are not the same which means DPWI did not meet the conditions raised by treasury.

### **Impact**

- The proper procurement process were not followed in awarding Hiroworx (Pty) Ltd the award based on issue 1 above therefore the deviation to substitute COGTA with DoH is also considered an irregular award.
- Non-compliance with paragraph 8.5 of National Treasury Instruction Note no 3 of 2016/17 as the deviation was not approved by treasury
- Understatement of Irregular expenditure by R12 224 279,7 in the current year

### **Internal control deficiency**

#### **Financial and performance management**

##### *Review and monitor compliance with applicable legislation*

- Management did not implement adequate control processes to ensure compliance to the procurement legislative prescripts. Particularly as it relates to the approval of deviations to the normal procurement process.
- The principle of proper record- keeping was not implemented promptly to ensure that complete, relevant and accurate information is accessible and available for audit purposes that is if the final approval of the deviation was obtained.

Leadership: Exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

- The department did not ensure that the deviation is approved and they did not ensure that they meet all the conditions made by treasury

### **Recommendation**

We recommend that management should consider the following:

- Ensure that deviations from normal procurement process are adequately approved prior to proceeding with procurement processes as required by the regulations.
- Review and consider if indeed all the conditions as set out by National Treasury in their conditional approval were implemented and submitted to National Treasury, if not take appropriate corrective action.

**Management does not agree with the audit findings:**

1. The Department submitted the required clarification information which was signed by the Acting Director General to National Treasury on the 23 September 2020 (**see attached Annexure E**). It is further reported that no irregular expenditure was incurred by the Department as COGTA never took occupation of the alternative accommodation (Exxarro Building). The department has obtained an environmental assessment report which was submitted to National Treasury as requested (**see attached Annexure F**).
2. Management wishes to put on record that an internal due process was fully complied with in obtaining National Treasury support in terms of National Treasury Practice Note 3 of 2016/17 to use a negotiated procedure to substitute COGTA as a tenant with DOH at Exxarro Building.
3. The Department does not agree with the statement that irregular expenditure was incurred as the procurement process is fully compliant to the internal business process as approved by the Department.

**Auditor's conclusion**

*National Treasury approval*

Regarding the issue of the National Treasury approval, management is referred to paragraph 8.5 of Treasury Instruction 3 of 2016/17 which clearly states that any other deviation from inviting competitive bids will be allowed in exceptional cases subject to the **prior written approval** from the relevant treasury.

Based on the letter dated 24 March 2020 from National Treasury, it is stated therein that the Department requested approval to deviate from the normal procurement process and appoint Hiroworx for office accommodation for the DoH.

The reasons provided to National Treasury was that the Department went out on a competitive bidding process for office accommodation for COGTA and that COGTA was no longer interested in the building. In order to avoid wasteful expenditure, the Department is said to have then approached DoH, who also required office space to occupy the building.

National Treasury in their response stated that the reasons for deviation were justifiable, however listed what they deemed to be not clear, as outlined in the finding above. In conclusion they stated that they support the deviation on condition that the concerns raised are attended to by the Department. This is therefore considered to be conditional approval dependent on the conditions stipulated being met. Therefore AGSA concludes that in the absence of these conditions being met there was therefore no "prior written approval" of the deviation from National Treasury as it is required by Treasury Instruction 3 of 2016/17 and thus our conclusion that the process was irregular.

Until management is able to provide evidence how the conditions were complied with, the finding will remain valid

### **Issue 3- Deviations with Supply Chain Management Prescripts**

#### **Requirements:**

*Section 1 of the PFMA states that: “**irregular expenditure**” means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including this Act; or The State Tender Board Act, 1968 ([Act No. 86 of 1968](#)), or any regulations made in terms of that Act; or...”*

*Section 38 (1)(c)(ii) of the PFMA states that "The accounting officer for a department, trading entity or constitutional institution, must take effective and appropriate steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct..."*

*National Treasury Practice note 8 of 2007/2008 paragraph 3.4.1 states that, “Accounting officers / authorities should invite competitive bids for all procurement above R 500 000.”*

*National Treasury Practice Note 6 of 2007/08, par. 2.3 states that: “It is, however, recognized that there will be instances when it would be impractical to invite competitive bids. In this regard, Treasury Regulation 16A6.4 provides for such instances where accounting officers or accounting authorities are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority”.*

#### **Nature**

Inspected invoice no NT401002/2021TI01 and NT401002/2021TI02 with an amount totaling R8 886 977, 68 charged by the landlord (Hixoworx) for installation cost and confirmed that these costs were paid by the department instead of a landlord. Further inspected the lease agreement between PMTE and Hiroworx schedule C1 and confirmed that the installation costs were sorely the responsibility of the tenant to effect and pay, therefore the department was in contravention of the lease agreement. Also noted that the department did not follow a

competitive bidding process to appoint a service provider to effect the necessary installations that are necessary in the building before DoH moved into the building.

**Figure 1: Tenant installation (Extracted from the lease annexure)**



public works  
infrastructure  
Department of Public Works and Infrastructure  
REPUBLIC OF SOUTH AFRICA

**SCHEDULE C**

The lessor shall issue relevant Certificates of Compliance before occupation of the premises, failing which the occupant is not obliged to take occupation of the premises and the Lessee is not obliged to pay any rental amounts.

**SCHEDULE C1: TENANT INSTALLATIONS (5 – 9 YEARS/ 11 MONTHS)**

INSTALLATIONS:	PARTY TO EFFECT:	PARTY TO PAY:	DATE OR FREQUENCY:
Space planning and refurbishing requirements / needs	Lessee	Lessee	Within three months of signing of lease agreement
Tenant Installation Project Execution Plan provided to the Portfolio Manager at the Regional Office	Landlord	Landlord	Within three months of signing of lease agreement
Installation of carpets / ceramic tiles / in some offices and installation of ceramic tiles in all common areas	Landlord	Landlord	Upon approval of tenant installations by User. But not later than six months after signing of lease agreement.

## Impact

There was non-compliance with the applicable laws, rules, regulations and practice notes which resulted in irregular expenditure amounting to R8 886 977.68. In addition, the installation is still in progress and costs may be more than what was currently paid.

## Internal control deficiency

Financial and performance management: Implement controls over daily and monthly processing and reconciling transactions

- The department did not ensure that the applicable SCM processes were followed prior to processing the payment for the tenant installation cost.
- The department did not ensure that invoices were verified against the terms and conditions on the lease agreements before payments were approved and processed.

## Recommendations

It is recommended that

Management should ensure that they adhere to the lease agreement when they are making payments on the lease also the installation cost.

Management should ensure that the proper procurement processes are followed to appoint a service provider to make necessary installations before the client department moves into the building.

#### **Management does not agree with the audit findings:**

1. The landlord met his responsibilities in terms of ensuring that tenant installation are carried out as per the specification of the tender. In addition to the above, all the compliance certificates were subsequently issued by the relevant authority.
2. It is recorded that in addition to what the landlord has done in terms of his obligation with tenant installation, the client has requested additional specialized installations which were outside the scope of work, the specifications of the bid and the landlords responsibility.
3. The client further confirmed that they would accept responsibility for the resultant additional costs of R8 886 997.68 and make funding available for the payment of the additional specialised installations. Therefore, the cost for additional tenant installations was not the responsibility of the landlord.
4. The Department does not participate in the appointment of services providers for tenant installations on privately owned buildings. This is done by the Landlord. Thus there was no competitive bidding process.

#### **Auditor's conclusion**

Management comments are noted. The following statement is further acknowledged" *the client has requested additional specialized installations which were outside the scope of work, the specifications of the bid and the landlords responsibility.*" It is evident that this expenditure was not within the agreed terms and condition of the signed contract.

The department's expenditure is guided by various prescript including practice notes issued by national treasury and some existing regulation and applicable act for example PFMA. The contract was mainly for letting of space and other associated services, refer to figure 1 below.

**Figure1: Rental details**

Description	Nr/Area leased	Unit	Base Rent/unit	Expenses/unit	From date	To Date	Monthly Commencement Rent (ex VAT)	Monthly Expenses (ex VAT)	Total monthly rent (ex VAT)	VAT	Total monthly Rent (incl VAT)
Offices	28397.09	sqm	R 116.00	R 19.00			R 3,294,062.44	R 539,544.71	R 3,833,607.15	R 575,041.07	R 4,408,648.22
Stores	0	sqm	R -	R -			R -	R -	R -	R -	R -
Retail	0	sqm	R -	R -			R -	R -	R -	R -	R -
Other	0	sqm	R -	R -			R -	R -	R -	R -	R -
Open parking	0	bays	R -	R -			R -	R -	R -	R -	R -
Covered Parking	474	bays	R 950.00	R -	March 1, 2021	February 28, 2022	R 450,300.00	R -	R 450,300.00	R 67,545.00	R 517,845.00
											Total monthly rent
											R 4,926,493.22

Tenant installation cost was not amongst the item included on the pricing reflected on figure 1 above. In addition the lessor had the responsible for tenant's installation, refer to schedule C1.

According to national treasury practice note 6 of 2007/08, there are some instances where it is not practical to have a competitive bidding process however such process must be approved by the accounting officer and the reason thereof must be stated. The Department did not comply with practice notes 6, as a result the expenditure incurred for tenant cost overruns amounting to R8 886 977.68 was irregular expenditure.

National Treasury Practice Note 6 of 2007/08, par. 2.3 states that: *It is, however, recognized that there will be instances when it would be impractical to invite competitive bids. In this regard, Treasury Regulation 16A6.4 provides for such instances where accounting officers or accounting authorities are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority*".

This expenditure was not part of the signed contract and it was also above R500 000, therefore compliance with National Treasury practice note 6 of 2007/08 was mandatory.

The finding remain and will be reported on management report.

## PMTE HO COAF 57 - etender publication and government bulletin finding

### Requirements

*Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...”*

*Section 41 of the PFMA requires that ‘An accounting officer for a department, trading entity or constitutional institution must submit to the relevant treasury or the Auditor-General, such information, returns, documents, explanations and motivations as may be prescribed or as the relevant treasury or the Auditor-General may require’*

Treasury regulation 16A6.3 (d) states, “awards are published in the Government Tender Bulletin and other media by which the bids were advertised.”

National Treasury Instruction No 1 of 2015/16 states that “The Accounting Officers of PFMA compliant institutions must through the relevant treasury publish the awards of all advertised competitive bids on the eTender Publication Portal”

### Nature

#### **Issue 1 – awards not published on the eTender Publication Portal**

During the audit of tenders, we noted that the awards listed below were not published on the eTender Publication Portal:

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
1	Mmabatho	MMB2019/057 GS	Procurement of Services: Maintenance Repairs and Operation to Coal Fired Boiler & All Related Steam Generation Components at Potchefstroom Prison: Dr KK District for 24 months	Wiser Trading CC	R5 401 158,46
2	Mmabatho	MMB 2019/059 GS	24 Months term contract - Preventative maintenance, repairs,servicing and operation of steam generators/boilers at Losperfontein	Ngaatendwe trading CC	R5 693 270,50
3	Mmabatho	MMB 2019/084 EC	Rooigront Prison: Condition based maintenance of electrical and mechanical	Lindokuhle & FV Trading JV	R24 323 342,34
4	Mmabatho	MMB 2019/084 EC	Rooigrond prison repair maintenance and operation of water sewer	FV trading enterprise (PTY) LTD	R36 457 188,78

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
			Supplier: FV trading enterprise (PTY) LTD		
5	Mmabatho	MMB2019/098 EC	Brits Prison Replacement of Kitchen equipment and upgrading of kitchen Supplier: Nzwalo Investment t/a Lumacon	Nzwalo Investment t/a Lumacon	R3 247 274,63
6	Johannesburg	JHB19/32	Vereening Police Station : repairs and repair and renovation	Musan Trading Enterprise	R96 834 927,98
7	Johannesburg	JHB19/43	Repair and Maintenance of Electrical and Mechanical Installations excluding boilers, calorifiers and steam pipes	Inkwali Fabrication and Maintenance (Pty) Ltd	R102 000 000
8	Cape Town	CPTL82/19	Procurement of new office accommodation for Home Affairs-Refugee reception centre: Cape Town	Invested Property Fund (PTY) Ltd	R33 603 777,94
9	Cape Town	CPT 1001/20	Repair and renovations to office including electrical, civil and structural elements	Molanco Trading Enterprise	R5 475 353,96
10	Cape Town	CPT1011/19	Department of Agriculture, Forestry and Fisheries (DAFF) : Cape town Region: Stellenbosch : Plant Quarantine and Research Institute: Repairs to main Administrative Centre	MH Construction	R3 218 992.60
11	Cape Town	CPT1009/19	Mossel Bay Magistrates Office: Repairs and Renovations	Mudzusi Wavhutalu Civils (Pty)(Ltd)	R25 605 321.76
12	Port Elizabeth	PE12/2019	Hankey Police complex: Construction of police station and demolishing of existing structures	GVK Siya Zama Building Contractors(Cape)(Pty) Ltd	R101 906 735,00
13	Port Elizabeth	PET15/2019	Queenstown and surrounding areas : Term contract : Electricacal repars for the period of 24 Months	RGA electrical project management & contracting	R5 650 000,00
14	Port Elizabeth	PE19/2019	Port Elizabeth: Department of labour employment factory complete repairs &renovations for contract 3	Homeless Build Construction (HBC)	R39 812 017,85
15	Head Office	HO20/012A	Dolomite Risk Management Strategy (DRMS): Thaba Tshwane Personell School Upgrading of Civil Engineering Wet Services	Zidlaphi Kgomo and Associates CC	R63 703 409,75
16	Head Office	HO19/023AL	Groblesrsbridge and stockpoort land ports of entry : Appointment of a service provider for the maintenance and repairs of buildings, civil, mechanical and electrical infrastructure and installations for a period of 36 month	BMK Electro Mechanical(PTY) LTD	R29 740 094,00
17	Head Office	H20/008 AI	Ramatlabama, Bray, Makgobistad & Skipadsnek Land Ports of entry 36 Months repair and maintenance	ASCUL CONSTRUCTION CC	R61 131 972,31

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
18	Head Office	HO19/019AL	Van Rooyenshek Land Ports of Entry: Appointment of a Service Provider for the maintenance and repairs of building, civil, mechanical, electrical infrastructure and installations for a period of 36 months	Bvi Consulting Engineers Central (Pty)	R1 941 985,22
19	Head Office	HO19/024AL	Appointment of Service Provider for Maintenance & Repairs of Building, Civil, Mechanical, Electrical Infrastructure and Installations for 36 Months	Magwa Construction	R 16 466 905,2
20	Pretoria	PT19/023	RETORIA,ROODEPLAAT,,DAFF: PRETORIA REGIONAL OFFICE: UPGRADING OF PLANT GENETIC CENTRE PREMISES IN ROODEPLAAT	Zidlaphi Kgomo and Associates	R37 694 314,96
21	Polokwane	PLK19/13	Thohoyandou Magistrate Office: Repair and Renovations	Bongekile contractors CC	R23 983 000,00
22	Mthatha	MTH68/2018	Coffee Bay SAPS: Installation of septic tank, generator set and supply electrical upgrade	Purple Pansy 101 CC	R1 763 571
23	Mthatha	MTH35/2018	Ngcobo Magistrate office: condition based maintenance	Mbokotho investment T/A ZM construction	R25 977 936,9
24	Kimberly	KIM1232/2019	Calvinia DCS: Condition based maintenance: Building and related services: Elecctrical and Mechanical Installation and Civil Infrastructure	Maoela Business Enterprise	R15 955 039,28
25	Kimberley	KIM03/2020	POSTMASBURG LOHATLA COMBAT SCHOOL DRMS (SATC): REPLACEMENT OF BULK WATER SUPPLY PIPELINES	Oxior Civil Enterprises	R42 674 635
26	Bloemfontein	BL20/031	Correction on Completion for retention contract.	ontract. Supplier: Shikmiya Building Construction	R30 590 780
27	Nelspruit	NST20/006	Provision of Security Services at Plot no 56. Farm Waterval 168 JT For 24 Months	Xilota Security Services	R3 666 936

#### **Issue 2 – Bid was not Advertised on the eTender Publication Portal**

During the audit of tenders, we noted that the bids for the tender listed below were not advertised on the eTender Publication Portal:

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
1	Mmabatho	MMB2019/057 GS	Procurement of Services: Maintenance Repairs and Operation to Coal Fired Boiler & All Related Steam Generation Components at Potchefstroom Prison: Dr KK District for 24 months	Wiser Trading CC	R5 401 158,46
2	Mmabatho	MMB 2019/059 GS	24 Months term contract - Preventative maintenance, repairs, servicing and operation of steam generators/boilers at Losperfontein	Ngaatendwe trading CC	R5 693 270,50
3	Mmabatho	MMB 2019/084 EC	Rooigrond Prison: Condition based maintenance of electrical and mechanical	Lindokuhle & FV Trading JV	R24 323 342,34
4	Mmabatho	MMB 2019/084 EC	Rooigrond prison repair maintenance and operation of water sewer Supplier: FV trading enterprise (PTY) LTD	FV trading enterprise (PTY) LTD	R36 457 188,78
5	Mmabatho	MMB 2019/098 EC	Brits Prison Replacement of Kitchen equipment and upgrading of kitchen	Nzwalo Investment t/a Lumacon	R3 247 274,63
6	Johannesburg	JHB19/32	Vereening Police Station : repairs and repair and renovation	Musan Trading Enterprise	R96 834 927,98
7	Johannesburg	JHB 19/43	Repair and Maintenance of Electrical and Mechanical Installations excluding boilers, calorifiers and steam pipes	Inkwali Fabrication and Maintenance (Pty) Ltd	R102 000 000
8	Cape Town	CPT 1001/20	REPAIR AND RENOVATIONS TO OFFICE INCLUDING ELECTRICAL, CIVIL AND STRUCTURAL ELEMENTS	Molanco Trading Enterprise	R5 475 353,96
9	Cape Town	CPT1011/19	department of Agriculture, Forestry and Fisheries (DAFF) : Cape town Region: Stellenbosch : Plant Quarantine and Research Institute: Repairs to main Administrative Centre	MH Construction	R3 218 992,60
10	Cape Town	CPT1009/19	Mossel Bay Magistrates Office: Repairs and Renovations	Medusa Wavhutalu Civils (Pty)(Ltd)	R25 605 321,76
11	Port Elizabeth	PE12/2019	Hankey Police complex: Construction of police station and demolishing of existing structures	GVK Siya Zama Building Contractors(Cape)(Pty) Ltd	R101 906 735,00
12	Port Elizabeth	PET15/2019	Queenstown and surrounding areas : Term contract : Electrical repairs for the period of 24 Months	RGA electrical project management & contracting	R5 650 000,00
13	Port Elizabeth	PE19/2019	Port Elizabeth: Department of labour employment factory complete repairs &renovations for contract 3	Homeless Build Construction (HBC)	R39 812 017,85
16	Pretoria	PT19/023	PRETORIA,ROODEPLAAT,,DAFF: PRETORIA REGIONAL OFFICE: UPGRADING OF PLANT GENETIC CENTRE PREMISES IN ROODEPLAAT	Zidlaphi Kgomo and Associates	R37 694 314,96
17	Polokwane	PLK19/13	Thohoyandou Magistrate Office: Repair and Renovations	Bongekile contractors CC	R23 983 000,00

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
18	Head Office	H20/012A	Dolomite Risk Management Strategy (DRMS): Thaba Tshwane Personnel School Upgrading of Civil Engineering Wet Services	Zidlaphi Kgomo and Associates CC	R63 703 409,75
19	Head Office	H19/021 A1	Land ports of entry: Oeshoek, Nerston, Waverly, Josefsdal: Appointment of service provider/s for the maintenance and repairs of building, civil, mechanical, electrical infrastructure and installations at the 4 ports entry	Lubisi consulting Engineers cc	R3 868 628,96
20	Head Office	H20/021	Dolomite Risk Management Strategy (DRMS): Thaba Tshwane Personell School Upgrading of Civil Engineering Wet Services	Zidlaphi Kgomo and Associates CC	R63 703 409,75
21	Head Office	H19/32	Vereeining Police Station : repairs and repair and renovation	Musan Trading Enterprise	R 96 834 927,98
22	Mthatha	MTH35/2018	Ngcobo Magistrate office: condition based maintenance	Mbokotho investment T/A ZM construction	R25 977 936,9
23	Kimberly	KIM1232/2019	Calvinia DCS: Condition based maintenance: Building and related services: Electrical and Mechanical Installation and Civil Infrastructure	Maolela Business Enterprise	R15 955 039,28
24	Kimberly	KIM03/2020	Postmasburg lohatla combat school drms (satc): replacement of bulk water supply pipelines	Oxior Civil Enterprises	R42 674 635,00

**Issue 3 – Award not published on the Government Tender Bulletin and other media by which the bid was advertised**

During the audit of tenders, we noted that the awards for the tender listed below were not published on the Government Tender Bulletin and other media by which the bid was advertised:

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
1	Mmabatho	MMB2019/098 EC	Brits Prison Replacement of Kitchen equipment and upgrading of kitchen	Nzwalo Investment t/a Lumacon	R3 247 274,63
2	Mmabatho	MMB 2019/084	Rooigront Prison: Condition based maintenance of electrical and mechanical	Lindokuhle & FV Trading JV	R24 323 342,34
3	Mmabatho	MMB 2019/084	Rooigrond prison repair maintenance and operation of water sewer	FV trading enterprise (PTY) LTD	R36 457 188,78
4	Mthatha	MTH68/2018	Coffee Bay SAPS: Installation of septic tank, generator set and supply electrical upgrade	Purple Pansy 101 CC	R1 763 571,00

No	Region	Quotation Number/ Tender number	Project Description	Supplier Name	Award Contract Value
5	Mmabatho	MMB2019/057 GS	Procurement of Services: Maintenance Repairs and Operation to Coal Fired Boiler & All Related Steam Generation Components at Potchefstroom Prison: Dr KK District for 24 months	Wiser Trading CC	R5 401 158,46
6	Mmabatho	MMB2019/059 GS	24 Months term contract - Preventative maintenance, repairs, servicing and operation of steam generators/boilers at Losperfontein.	Ngaatendwe trading CC	R5 693 270,50
7	Johannesburg	JHB 19/43	Repair and Maintenance of Electrical and Mechanical Installations excluding boilers, calorifiers and steam pipes	Inkwali Fabrication and Maintenance (Pty) Ltd	R102 000 000,00
8	Polokwane	PLK19/13	Thohoyandou Magistrate Office: Repair and Renovations	Bongekile contractors CC	R23 983 000,00
9	Head Office	H19/023AL	Groblesrsbridge and stockpoort land ports of entry : Appointment of a service provider for the maintenance and repairs of buildings, civil, mechanical and electrical infrastructure and installations for a period of 36 month	BMK Electro Mechanical(PTY) LTD	R29 740 094,00
10	Head Office	H20/008 AI	Ramatlabama, Bray, Makgobistad & Skipadsnek Land Ports of entry 36 Months repair and maintenance	ASCUL CONSTRUCTION CC	R61 131 972,91
11	Head Office	H19/024AI	Land Ports of Entry - Boesmansnek, Ongeluksnek and Ramatseliso - Appointment of Service Provider for Maintenance & Repairs of Building, Civil, Mechanical, Electrical Infrastructure and Installations for 36 Months	Magwa Construction	R16 466 905,2
12	Kimberly	KIM03/2020	Postmasburg lohatla combat school drms (satc): replacement of bulk water supply pipelines	Oxior Civil Enterprises	R42 674 635.00
13	Bloemfontein	BL20/031	Correction on Completion for retention contract.	Shikmiya Building Construction	R30 590 780
14	Nelspruit	NST20/006	Provision of Security Services at Plot no 56. Farm Waterval 168 JT For 24 Months	Xilota Security Services	R3 666 936,00

### Impact of the finding

- This will results in an internal control deficiency.

### Internal control deficiency

#### Leadership

- Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

*Financial and performance management*

- Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

*Governance*

- Management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively

**Recommendation**

Management should:

- Ensure that all the bids are advertised on eTender Publication Portal.
- Ensure that the awards are published on eTender Publication Portal Government tender bulletin.

**Management response:**

Management response outstanding

**Auditor's conclusion**

Management response is outstanding. The finding will remain on the management report.

**PMTE HO COFF 58 - Expenditure in excess of 20% threshold without treasury approval - Sarah Baartman Heritage Centre**

**Requirements:**

Section 38(1) (a) (i) of the Public Finance Management Act states that: “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control*”

Section 38 (1) (b) of the PFMA states that “*The accounting officer for a trading entity is responsible for the effective, efficient, economical and transparent use of the resources of the trading entity*”

Section 38 (1) (c) (ii) of the PFMA states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct.*”

Treasury SCM Instruction Note 3 of 2016/17, paragraph 9 states that:

“*9.1 The Accounting Officer/Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services and 15% or R15 million (including VAT) for all other goods and services of the original contract value.*

*9.2 Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury.”*

Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation*”

## **Nature**

During the audit of Procurement and contract management, we noted that DPWI appointed Transtruct (Pty) Ltd for the construction of Sarah Baartman Heritage Centre in Hankey on behalf of the Department of Arts and Culture for contract value of R164 386 247. The awarded contract value for the tender (PE35/013) was R164 386 247. The total expenditure since inception of the contract up to 31 March 2021 is R205 792 219.

## **Issue**

Upon assessment of the expenditure made to date, it was noted that the expenditure has exceeded 20% of the original contract value. This is in contravention of the Treasury SCM Instruction Note 3 of 2016/17.

We further inspected a letter from national treasury, which was addressed to Department of Public Works and Infrastructure (DPWI) and dated 20 June 2021. The letter was in response to an application made by DPWI requesting approval to vary the contract value by more than 20%. In response, national treasury did not support the variation request by DPWI.

Therefore, the expenditure of R41 405 972, 27 which is in excess of the original contract value is in contravention of Treasury SCM Instruction Note 3 of 2016/17 and irregular.

Description	Value
Original contract value	R164 386 247,30
Expenditure to date	R205 792 219,57
Expenditure in excess of the original contract value	R41 405 972,27
Percentage of "excess"	25%

## **Impact**

The above resulted in the following:

- Non-compliance with section 38 (1) (c) (ii) of the PFMA as the accounting officer did not take effective and appropriate steps to prevent irregular and fruitless and wasteful”
- Non-compliance with Treasury SCM Instruction Note 3 of 2016/17 due to expenditure incurred in excess of 20% without national treasury approval
- Understatement of irregular expenditure by R 41 405 972.
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of the irregular expenditure disclosure note

## **Internal control deficiency**

Management did not monitor compliance with applicable laws and regulations.

Expenditure was made in excess of the prescribed national treasury threshold without prior written approval.

Due to a delay in the appointment of the arts coordinator, management incurred expenditure for standing time.

## **Recommendation**

It is recommended that:

- Management should disclose the irregular expenditure of R 41 405 972, 27 and any further irregular expenditure as it is incurred in the future, which has not been approved by treasury.
- Monitor compliance with applicable laws and regulations in relation to contract management as per National treasury instructions

## **Management response:**

Management takes note of the audit finding. The correspondence from National Treasury dated 20 June 2021, which came after the annual financial statements were submitted for auditing on 31 May 2021 as required in terms of the PFMA, has been duly noted by management. The accounting office delegated to approve Variation Orders of up to R20 million or 20% for construction goods, services and works in line with paragraph 9 of the National Treasury SCM Instruction Note 3 of 2016/17. The irregular expenditure in this regard will only be limited to the amount above 20% (the limit imposed on accounting officers) or R20 million, which **R21 405 972,27** (R41 405 972,27 – R20 000 000.00), and not the whole amount of R41 405 972,27. However, given the fact the finding was raised and an adequate verification of what constitute CPAP and re-measurements, where they are applicable, **R21 405 972,27** as potential irregular expenditure will be disclosed in the disclosure note under Assessment for the year ended 31 March 2021 and a final and confirmed will be disclosed as confirmed in the new financial year.

## **Auditor's conclusion**

We take note that the accounting office delegated to approve Variation Orders of up to R20 million or 20% for construction goods, services and works in line with paragraph 9 of the National Treasury SCM Instruction Note 3 of 2016/17.

Furthermore, we take into account that the irregular expenditure in this regard will only be limited to the amount above 20% (the limit imposed on accounting officers) or R20 million, which **R21 405 972,27** (R41 405 972,27 – R20 000 000.00), and not the whole amount of R41 405 972,27.

Therefore, the finding will remain as irregular expenditure of **R21 405 972,27** and will be disclosed in the disclosure note under Assessment for the year ended 31 March 2021 and a final and confirmed will be disclosed as confirmed in the new financial year.

## PRETORIA REGION

### PMTE PTA COAF 05 – VO not justifiable and assigning of contract to another supplier

#### Requirements

Section 217 of the Constitution of South Africa states that: “*when an organ of state in the national, provincial and local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective...*”

Public Finance Management Act paragraph 38(1)(a)(i) and 38(1)(a)(ii) states that : “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control and an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective*”

Treasury reg.16A3.2a states that: “*a supply chain management must be fair, equitable, transparent, competitive...*”

National Treasury Practice Note No 8 of 2007/2008 par. 3.4.1,2: states that: “*Accounting officers / authorities should invite competitive bids for all procurement above R 500 000....*”

Treasury Regulation 16A6.4 states that: “*If in a specific case it is impractical to invite competitive, the accounting officer or accounting authority may procure the required goods and services by other means provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority....*”

National Treasury Instruction 3 of 2016/17 paragraph 9.1 and 9.2 state that: “*The accounting officer or accounting authority must ensure that contracts are varied by no more than 20% or R20 million (including VAT) for construction related goods, works and or services and 15% or R15 million (including VAT) for all goods and or services of the original contract values. Any deviation in excess of the prescribed thresholds will be allowed in exceptional cases subject to prior written approval from the relevant treasury....*”

Section 38 (1) (c) (ii) of the PFMA states that: “*The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct...*”

Section 38 (1) (b) of the PFMA states that: “*The accounting officer for a trading entity is responsible for the effective, efficient, economical and transparent use of the resources of the trading entity...*”

Treasury Regulation 8.2.1 states that: “*an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer...*”

Treasury Regulation 8.2.2 states that: “*before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorization....*”

## Nature

### Pretoria region

During the audit of the contract management, we noted the following:

National treasury wrote a letter to Property Management Trading Entity on the 19<sup>th</sup> of May 2021 in response of letter from PMTE requesting approval of variation order with JFE Group Empowerment (Pty) Ltd amounting to the total of R15 399 073.09. The original contract value was R157 995 881.50, and previous variation orders approved by PMTE amount to R17 494 045.10. Variation of 20.82%, the following facts were stated by treasury:

Event No.	Process followed						
1	December 2020 Property Management Trading Entity (PMTE) sent a letter to treasury requesting approval of a variation order for an amount of R15 399 073.09. The original contract value was R157 995 881.50, and previous variation orders approved by the entity amounted to R17 494 045.10. The total variation orders amount to R32 893 118.9 which represented 20.82% of the original contract.						
2	<p>On the 30<sup>th</sup> of December 2020 national treasury sent a response to PMTE rejecting the variation order and the following facts were stated in the letter by treasury in paragraph 3 National Treasury concerns as follows;</p> <ul style="list-style-type: none"> <li>i) Concern on numerous variation orders on the project and that the reasons provided for the variation demonstrates poor planning, execution/delivery of the project and contract management, as well as elements of fruitless and wasteful expenditure and abuse of SCM system</li> <li>ii) The supporting documents indicated original completion date of 11 April 2020 and extended completion date of 11 October 2020, which National Treasury viewed as that the contract expired</li> <li>iii) It is not clear which prescript was used to assign the contract originally awarded to Sebushi Somo Construction and Projects (SSCP) Pty Ltd to JFE Group Empowerment (Pty) Ltd</li> <li>iv) It is also not clear how the contractors were approached to bid initially</li> </ul>						
3	<p>In paragraph 4 of the letter from treasury it is stated that, the response provided by PMTE in paragraph 3 above, are not justifiable grounds for variation of the contract for the following reasons;</p> <ul style="list-style-type: none"> <li>• These continuous variations demonstrate poor execution of the project and contract management, as well as fruitless and wasteful expenditure. Although the entity retained R5 997,261.00, there is no indication of how the variation orders where offset against the amount retained. If an amount of R5 997,261.00 was retained, that amount should have been used for any rework required on the project (in terms of the initial contractor), in other words the retained amount would have offset the cost of variations.</li> <li>• The contract extension was approved after the contract expired; therefore, there is no contract to vary.</li> <li>• The appointment JFE Group was not done in terms of the SCM legislative framework and hence the procurement process must be regarded as flawed. The competitive bidding process must be followed when selecting a supplier unless it is impractical to follow the competitive bidding process. In case where it is impractical paragraph 8 and 9 of SCM Instruction note 3 of 2016/17 must be adhered to.</li> <li>• It is still not clear how JFE Group Empowerment was identified, and whether no potential service providers were disadvantaged</li> </ul>						
	As part of the audit process auditors decided to go back and confirm how JFE Group Empowerment (Pty) Ltd was appointed by PMTE and the details below are the process followed by the entity						
1	<p><b>Tenders particulars</b></p> <ul style="list-style-type: none"> <li>• Advertisement date : 09 December 2016</li> <li>• Closing date : 24 January 2017</li> <li>• Pre-tender estimate : R153 115 716.12</li> <li>• Number of tenders received : 09</li> </ul>						
2	<p><b>Tenders received</b></p> <table> <tbody> <tr> <td>1. Tokologo</td> <td>R171 107 062.68</td> </tr> <tr> <td>2. Goos and Balfe (PTY) LTD</td> <td>R185 452 201.21</td> </tr> <tr> <td>3. Fastmove electrical CC</td> <td>R 135 875 465,65</td> </tr> </tbody> </table>	1. Tokologo	R171 107 062.68	2. Goos and Balfe (PTY) LTD	R185 452 201.21	3. Fastmove electrical CC	R 135 875 465,65
1. Tokologo	R171 107 062.68						
2. Goos and Balfe (PTY) LTD	R185 452 201.21						
3. Fastmove electrical CC	R 135 875 465,65						

<b>Event No.</b>	<b>Process followed</b>																
	<p>4. Sebushi Somo Construction and Projects (Pty) Ltd R157 995 881,50        5. Musan Trading Enterprise CC R148 714 923,87        6. Goos and Balfie (PTY) LTD R185 452 201,21        7. Coeng Consulting and Construction engineering (PTY)LTD R167 688 456,06        8. TAD Consultancy and services and consortium R148 949 464,58        9. UNIQ Holdings (PTY) (LTD) R164 133 296,80</p>																
3	<p><b>Tender disqualified as per Pre-qualification criteria PA-04 (EC) : Notice and invitation to tender</b></p> <ul style="list-style-type: none"> <li>• TAD Consultancy and services and consortium - R148 949 464,58</li> </ul> <p>The supplier was disqualified on a basic that PA-11 Declaration of interest and bidders past supply chain management practices was not properly filled by the parties in a JV.</p>																
4	<p><b>Tenders were disqualified on basis of reasons provided in the PA-21 form by bid evaluation committee</b></p> <p>The following bidder were disqualified on a basis that they submitted a PSIRA (Private security industry regulation authority) registration certificate of another company instead of the company's itself, where no form of agreement between the parties was presented/attached</p> <p>1. Tokologo Technical Assignment CC :        2. Goos and Balfie (PTY) LTD        3. Coeng Consulting and Construction engineering (PTY)LTD        4. Toopvar investment (PTY) LTD</p> <p>However, RBAC instructed the BEC to consider evaluating the bidders who attached PSIRA certificate of sub-contractor. Thus, BEC agreed to consider.</p>																
5	<p><b>BID Evaluation committee than evaluated the following Eight bidders to score them for functionality criterion from the approved procurement strategy</b></p> <table> <tbody> <tr> <td>1. Coeng Consulting and Construction engineering (PTY)LTD</td> <td>- R167 688 456,06</td> </tr> <tr> <td>2. Tokologo</td> <td>- R171 107 062,68</td> </tr> <tr> <td>3. Goos and Balfie (PTY) LTD</td> <td>- R185 452 201,21</td> </tr> <tr> <td>4. Sebushi Somo Construction and Projects (Pty) Ltd</td> <td>- R157 995 881,50</td> </tr> <tr> <td>5. Fastmove electrical CC</td> <td>- R 135 875 465,65</td> </tr> <tr> <td>6. Toopvar Investment Pty Ltd</td> <td>- R211 127 371,23</td> </tr> <tr> <td>7. Musan Trading Enterprise CC</td> <td>- R148 714 923,87</td> </tr> <tr> <td>8. UNIQ Holdings (PTY) (LTD)</td> <td>- R 164 133 296,80</td> </tr> </tbody> </table>	1. Coeng Consulting and Construction engineering (PTY)LTD	- R167 688 456,06	2. Tokologo	- R171 107 062,68	3. Goos and Balfie (PTY) LTD	- R185 452 201,21	4. Sebushi Somo Construction and Projects (Pty) Ltd	- R157 995 881,50	5. Fastmove electrical CC	- R 135 875 465,65	6. Toopvar Investment Pty Ltd	- R211 127 371,23	7. Musan Trading Enterprise CC	- R148 714 923,87	8. UNIQ Holdings (PTY) (LTD)	- R 164 133 296,80
1. Coeng Consulting and Construction engineering (PTY)LTD	- R167 688 456,06																
2. Tokologo	- R171 107 062,68																
3. Goos and Balfie (PTY) LTD	- R185 452 201,21																
4. Sebushi Somo Construction and Projects (Pty) Ltd	- R157 995 881,50																
5. Fastmove electrical CC	- R 135 875 465,65																
6. Toopvar Investment Pty Ltd	- R211 127 371,23																
7. Musan Trading Enterprise CC	- R148 714 923,87																
8. UNIQ Holdings (PTY) (LTD)	- R 164 133 296,80																
6	<p><b>The following Five bidders disqualified as a results of posing an unacceptable risk to employer (Failure to meet the minimum functionality score requirement – Minimum functionality score 50%)</b></p> <table> <tbody> <tr> <td>1. Fastmove electrical CC</td> <td>- R 135 875 465,65</td> </tr> <tr> <td>2. Musan Trading Enterprise CC</td> <td>- R148 714 923,87</td> </tr> <tr> <td>3. Goos and Balfie (PTY) LTD</td> <td>- R185 452 201,21</td> </tr> <tr> <td>4. Coeng Consulting and Construction engineering (PTY)LTD</td> <td>- R167 688 456,06</td> </tr> <tr> <td>5. UNIQ Holdings (PTY) (LTD)</td> <td>- R 164 133 296,80</td> </tr> </tbody> </table>	1. Fastmove electrical CC	- R 135 875 465,65	2. Musan Trading Enterprise CC	- R148 714 923,87	3. Goos and Balfie (PTY) LTD	- R185 452 201,21	4. Coeng Consulting and Construction engineering (PTY)LTD	- R167 688 456,06	5. UNIQ Holdings (PTY) (LTD)	- R 164 133 296,80						
1. Fastmove electrical CC	- R 135 875 465,65																
2. Musan Trading Enterprise CC	- R148 714 923,87																
3. Goos and Balfie (PTY) LTD	- R185 452 201,21																
4. Coeng Consulting and Construction engineering (PTY)LTD	- R167 688 456,06																
5. UNIQ Holdings (PTY) (LTD)	- R 164 133 296,80																
7	<p><b>The following three bidders were evaluated further</b></p> <table> <thead> <tr> <th></th> <th><b>Price</b></th> <th><b>BBBEE level</b></th> <th><b>Tot score</b></th> </tr> </thead> <tbody> <tr> <td>1. Sebushi Somo Construction and projects</td> <td>- R157 995 881,50</td> <td>- 1</td> <td>- 100</td> </tr> <tr> <td>2. Toopvar Investment Pty Ltd</td> <td>- R211 127 371,23</td> <td>- 2</td> <td>- 68,73</td> </tr> <tr> <td>3. Tokologo</td> <td>- R171 107 062,68</td> <td>- 2</td> <td>-91,53</td> </tr> </tbody> </table> <p>Sebushi Somo Construction and Projects (Pty) Ltd scored a highest points</p>		<b>Price</b>	<b>BBBEE level</b>	<b>Tot score</b>	1. Sebushi Somo Construction and projects	- R157 995 881,50	- 1	- 100	2. Toopvar Investment Pty Ltd	- R211 127 371,23	- 2	- 68,73	3. Tokologo	- R171 107 062,68	- 2	-91,53
	<b>Price</b>	<b>BBBEE level</b>	<b>Tot score</b>														
1. Sebushi Somo Construction and projects	- R157 995 881,50	- 1	- 100														
2. Toopvar Investment Pty Ltd	- R211 127 371,23	- 2	- 68,73														
3. Tokologo	- R171 107 062,68	- 2	-91,53														

Event No.	Process followed
8	<p><b><u>Minutes of meetings by the Bid Evaluation Committee</u></b>  <b><u>Bid Evaluation Committee members</u></b></p> <ul style="list-style-type: none"> <li>• Isaac Moholane - Chairperson: CPM</li> <li>• Gary Hainsworth - Mechanical Engineer</li> <li>• Ashwin Ramborosa - Mechanical Engineer</li> <li>• Hannes Stroebel - Supply Chain Management</li> <li>• Dikeledi Malongane - CCPM</li> <li>• Cebo Ndlovu - CCPM</li> <li>• Ramunenyiwa Nyamudinda - OHS</li> <li>• Wessel Wessels - Chief Architect</li> <li>• Shaheed Mohamed - QC</li> <li>• Regothabetse Mashishi - Candidate CPM(Observer)</li> </ul> <p><b><u>Date : 07 March 2017</u></b></p> <p>The following was noted from the minutes:</p> <ul style="list-style-type: none"> <li>• Nine tenders were received, one was considered non-responsive, while 8 were scrutinized by the evaluation committee.</li> <li>• 4 tenders were disqualified on basis of reasons provided in the PA-21 form but they were reconsidered to be evaluated as instructed by RBAC, Thus Eight bidders were evaluated</li> <li>• Eight bidders were evaluated on functionality and three bidders were evaluated further and the highest score on points level was Sebushi Somo Construction and Projects (Pty) Ltd with a tender amount of R157 995 881.50.</li> <li>• The risk assessment of the supplier was performed.</li> </ul> <p><b>Recommendation</b></p> <p>The BEC concluded that the supplier - Sebushi Somo Construction and Projects (Pty) Ltd does not pose a risk and should be considered for appointment.</p> <p><b><u>Date : 11 August 2017</u></b></p> <p><b>Recommendation</b></p> <p>In light of the above information, it was concluded by the BEC that the Project Manager can finalise all the required documents for submission to the RBAC to grant an approval for submission to the NBAC for appointing the highest scoring bidder Sebushi Somo Construction and Projects (Pty) Ltd with an amount of R157 995 881.50</p>
9	<p><b><u>Regional Bid Adjudication meeting minutes</u></b>  <b><u>Bid Adjudication Committee members</u></b></p> <ul style="list-style-type: none"> <li>• Mr D Sewada - D:Project Management</li> <li>• Mr M Maluleke - D: Finance</li> <li>• Mr N Mathivha - Act – D property management</li> <li>• Ms E Van Deventer - DD: KAM</li> <li>• Ms B Kutumane - D: EPWP</li> <li>• Mr A Tsati - D: Prestige</li> </ul> <p><b><u>Date - 22/08/2017</u></b></p> <p>Motivations for recommending the Tenderer - Sebushi Somo Construction and Projects (Pty) Ltd</p> <ul style="list-style-type: none"> <li>• The tender price of the bidder is in line with the tender estimate, which is not considered to be risk</li> <li>• The bidder sufficient resources for additional projects, the contract is also considered to be good in time management and obedient when it comes to regulations(as per the risk assessment)</li> <li>• The CIDB grading of the bidder is 8ME PE which complies with the specification. Inspected the CIDB report for winning bidder and noted they had a grading of 8MEPE.</li> <li>• They have required experience and resources.</li> </ul>

Event No.	Process followed
10	<p><b>National Bid Adjudication meeting minutes</b></p> <p><b>Bid Adjudication Committee members</b></p> <ul style="list-style-type: none"> <li>• Juanita Prinsloo – Chair person</li> <li>• Raymond Naidoo – Member</li> <li>• Ppai Mekwa - Member</li> <li>• Malusi Ganiso - Member</li> <li>• Andries de kerk - Member</li> <li>• Malusi Hadebe - Member</li> <li>• Bassie Kgasoane - Member</li> </ul> <p>Date – 30 August 2017</p> <p><b>Points discussed were as follows :</b></p> <p>NBAC not in agreement with RBAC's decision to include bidders that did not include PSIRA certificates. However this has no impact on the final outcome</p> <p><b>Recommendation</b></p> <p>NBAC recommended the appointment of Sebushi Somo construction and Projects (Pty) Ltd for an amount of R157 995 881, 50.</p>
11	<p><b>Appointment letter</b></p> <ul style="list-style-type: none"> <li>• Through inspection of appointment letter of for project PT16/052 and confirmed that the bid was awarded to Sebushi Somo Construction and Projects (Pty) Ltd at the amount of R157 995 881,50 for 30 months and was signed by Geoffrey Nonyane – Legal services on 12/10/2017.</li> <li>• Further inspected the form of offer and acceptance and confirmed that it was signed by Sebushi Somo – Representative of Sebushi on 17/01/2017 and the Geoffrey Nonyane (Rep PMTE) on 12/10/2017</li> <li>• The project was for 30 months from November 2017 ending 09 April 2020.</li> </ul>
12	<p><b>Site hand over</b></p> <ul style="list-style-type: none"> <li>• Through the inspection of the bid documents confirmed that the tender was awarded to Sebushi Somo Construction and Projects (Pty) Ltd on the 12 October 2017 and the site was handed over on 29 November 2017.</li> </ul>
13	<ul style="list-style-type: none"> <li>• Inspected the letter dated 28 August 2018 from Sebushi Somo Construction and Projects (Pty) Ltd to PMTE applying for a cession/direct payment for a sum of R39 498 970,38 to JFE Group Empowerment (Pty) Ltd. The letter further stated that JFE Group Empowerment (Pty) Ltd is a sub-contractor to carry certain portion of the security and integrated system.</li> <li>• Inspected the bids documents for tender PT16/052 and noted that there were no documents relating to JFE Group Empowerment (Pty) Ltd.</li> <li>• Further inspected the minutes of meetings of NBAC dated 05 September and noted that the objective of the meeting was to approve the direct payment to the JFE Group Empowerment (Pty) Ltd, confirmed that the NBAC approved the direct payment on the 05 September 2018</li> <li>• We inspected the tender document of Sebushi Somo Construction and Projects (Pty) Ltd and noted that theres no indication in the bid that the bidder intended to subcontract to JFE Group Empowerment (Pty) Ltd</li> </ul>
	<ul style="list-style-type: none"> <li>• Inspected the cession agreement between Sebushi Somo Construction and Projects (Pty) Ltd and JFE Group Empowerment (Pty) Ltd and confirmed that it was signed by Sebushi Somo representative of Sebushi Somo construction and projects and C.B Von Ess representative of JFE Group Empowerment (Pty) Ltd on 10 June 2019</li> <li>• Inspected the letter to JFE Group Empowerment (Pty) Ltd for the approval of the assignment agreement between JFE Group Empowerment (Pty) Ltd and Sebushi Somo Construction and</li> </ul>

Event No.	Process followed
	<p>Projects (Pty) Ltd and confirmed that the agreement was approved by Director General on the 17 July 2019</p> <ul style="list-style-type: none"> <li>Further inspected the memorandum from the project manager – Isaac Moholane to the National Bid adjudication committee and confirmed that the objective of the memorandum was to request for the approval of the assignment between JFE Group Empowerment (Pty) Ltd and Sebushi Somo Construction and Projects (Pty) Ltd.</li> <li>Sebushi Somo Construction and Projects (Pty) Ltd was informed by the engineer that is appointed by JH system Engineers (Mr Lourens Bekker) that JFE Group Empowerment (Pty) Ltd was best suited to be a subcontractor to do the ISS installations due to their expertise and extensive experience. Thus, the contractor Sebushi Somo Construction and Projects (Pty) Ltd subsequently appointed JFE Group Empowerment (Pty) Ltd.</li> </ul> <p>Auditors noted that the ceding agreement between JFE Group Empowerment (Pty) Ltd, Sebushi Somo Construction, and Projects (Pty) Ltd was signed in June 2019 but on the 28<sup>th</sup> of August 2018 Sebushi sent a letter to PMTE instructing them to make a direct payment to JFE group.</p> <p>It is of concern to AGSA that the Project Management Delegation Manual par 5.15 used to approve the assignment of contract is not in line with the treasury processes as National Treasury questioned the approval of the assignment of contract.</p>
14	<ul style="list-style-type: none"> <li>The site was handed over to the new contractor - JFE group empowerment (Pty) Ltd on 23/08/2019</li> <li>In 2019, Soshumi Somo Construction and Projects (Pty) Ltd started lacking behind the schedule and there was little progress that was happening on site and the letter of default for poor performance was issued by the entity to the contractor on the 21 May 2019.</li> <li>Inspected the request for the approval of the assignment agreement and confirmed that in the letter Soshumi Somo Construction and Projects (Pty) Ltd requested that the project to be assigned to JFE Group Empowerment (Pty) Ltd to complete the remaining scope of work.</li> <li>On the 09/07/2019, the RBAC recommended the application for the approval of the assignment of the contract for approval by the NBAC and on the 10/07/2019; the NBAC approved the assignment of contract of Sebushi Somo Construction and Projects (Pty) Ltd to JFE Group Empowerment (Pty) Ltd.</li> <li>"Assignment agreement is when the current contractor identify in the market another contractor to assign an assignment agreement with them that they are willing to take the contract over as it is. This means the new contractor takes over the contract and complete the project as it is currently on site. This assignment agreement must be approved by the entity according to their policies and guidelines and with the input from national treasury before this new contractor can commence on site".</li> <li>There is no proof showing that National treasury approved the assignment agreement also there is no proof that PMTE informed treasury of the assignment agreement before the site was handed over to the new contractor - JFE Group Empowerment (Pty) Ltd.</li> <li>On the letter dated 19 May 2019, from treasury in response to a request made by PMTE to national treasury for approval of variation of order in excess of 15%. Confirmed that national treasury was questioning the prescript that was used to assign the contract originally awarded to Sebushi Somo Construction and Project (Pty) Ltd to JFE Group Empowerment (Pty) Ltd.</li> </ul> <p>It is of concern to AGSA that the project was assigned to the sub-contractor, and there was no risk assessment that was done by the entity of whether the contractor will be able to deliver on the project. Furthermore, there was no valid reason provided by the entity as to why this contract was assigned to JFE Group Empowerment (Pty) Ltd. It also appears that JFE Group Empowerment (Pty) Ltd was a subcontractor of Sebushi Somo Construction and project (Pty) Ltd, however there was no indication in the bid document of Sebushi that they will subcontract to JFE Group which also gives concern on how a sub-contractor can take over the project due to the magnitude of the contract</p> <p>We have further noted that on the date of handover of the project to JFT group empowerment (Pty) Ltd 23 August 2019, the entity did not have any of the following documents from a supplier</p> <ul style="list-style-type: none"> <li>Tax clearance to confirm that the supplier was tax compliant</li> <li>Declaration of interest (SBD4 and SBD9) to confirm if the suppliers past experience and if the any director of the supplier is an employee of the state or has a relationship with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid</li> </ul>

Event No.	Process followed
	<ul style="list-style-type: none"> <li>• Whether the supplier is registered on CSD</li> <li>• Where the supplier has the required CIDB grading for the project - 9ME or 9SF and 8ME PE or 8 SF PE</li> <li>• Whether the supplier has a PSIRA certificate</li> </ul>
	Variation orders approved by the entity and reasons
1.	<p><b>Variation order 1</b> : was approved by the Chairperson of the VO committee S Mohamed on the 30/04/2019 at amount of -R2 484 000</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>• Initial tests indicated a presence of asbestos on the site and therefore an allowance was included in the bill of Quantities to properly remove the material off site. A subsequent post tender re-testing for asbestos resulted in negative results.</li> <li>• The allowance in the Bill of Quantities for the removal of hazardous material, which includes lead paint, will therefore be removed (partially omitted). Allowances will be kept for other hazardous material i.e. PPE for lead content paint removal and other hazardous waste such as fluorescent light tubes disposal. 90% of the allowance was removed and 10% was left as an estimated allowance for disposal of fluorescent light tubes etc.</li> </ul> <p>However it was pointed out that this Variation Order was Omitted Work</p> <p><b>Auditors assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
2.	<p><b>Variation order 2</b> : was approved by the Chairperson of the VO committee S Mohamed on the 30/04/2019 at amount of R 1 763 755,41</p> <p><b>Reason for Variation order</b></p> <p>Design Change:</p> <ul style="list-style-type: none"> <li>• Demolition and subsequent removal of existing windows indicated that current installation method of the cell windows were found to be non-compliant with the required DCS and PMTE prison standards, resulting in additional demolition of walls to remove windows.</li> <li>• Currently three window bars extended into the walls instead of five (approved design), resulting in additional scope/work.</li> <li>• New windows have to be fitted by using in-situ concrete sills and lintels, as required by PMTE and DCS.</li> </ul> <p>Specification Change:</p> <p>1. Control room glazing upgraded to thicker glass due to incorrect existing specifications. The consultants were not aware of this incorrect specification at tender stage and no allowance was made for control room glazing.</p> <p>Additional work:</p> <ul style="list-style-type: none"> <li>• Clerestory window level security mesh to be installed at high level to prevent offenders from breaking out as has recently started to happen as per DCS and PMTE requirements</li> </ul> <p><b>Auditors assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
3.	<p><b>Variation order 3</b> : was approved by the Chairperson of the VO committee S Mohamed on the 22/10/2019 at amount of R 2 013 910,85</p> <p><b>Reason for Variation order</b></p>

Event No.	Process followed
	<ul style="list-style-type: none"> <li>Additional damage has been sustained to the existing epoxy flooring since the inception of the project. This is due to continuous leaking wet services in cellblocks during status quo and deterioration during long time period between original assessment and construction period. The epoxy flooring is flaking and cracking in all blocks floors and requires repair/upgrade.</li> </ul> <p>The tender specification allowed for localized patch and repair with new epoxy, but this is no longer practically achievable due to proportion of area needing replacement and rapier vs intact area guaranteed lifespan. A quality product will no longer be achieved by patch repair and replacement. The floor will not be under guarantee and will not be aesthetically pleasing, as the colour between the old and new epoxy will not match.</p> <p><b>Auditors assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
4.	<p><b>Variation order 4 :</b> was approved by the Chairperson of the VO committee S Mohamed on the 30/04/2019 at amount of R 5 259 667,83</p> <p>Reason for Variation order</p> <ul style="list-style-type: none"> <li>The existing piping was installed inside the security fences at low level and below ground level inside trenches. The condensate created its own problem with regard to maintenance and repair work. Steam traps are too near to the ground and when debris are removed from the steam pipes, the steam blows holes in the ground casing causing harm to the security fence and security system pertaining to the security fence. This installation was not done according to normal practice and is causing problems to the surrounding areas and can create a security risk. Condensate tanks overflowed and as condensate is aggressive, it caused severe rusting of the steam and condensate piping within the trenches. These underground lines were never installed to recommended practice and create difficult maintenance procedures. Hence, maintenance was done very rarely, and this caused the installation to deteriorate into a state of disrepair and the recommendation is to remove the piping from the trenches and install them above ground level on pole supports as per normal practice.</li> <li>The steam supply pipes and condensate returns to and from some of the calorifier rooms are cut off and disconnected at both sides and the plant did not operate at all. Block C is the only block where warm water is still available. Emergency repairs to calorifiers to Block D was done in order to alleviate the hot water situation in the bathrooms but these calorifiers are on borrowed time as they are leaking. Limited maintenance was done over the last three years, and the system deteriorated even further. As large parts of the system were shut off, the installation became rusted over the past three years and needs to be replaced.</li> </ul> <p>The original scope and bill of quantity that was done in July 2016 was based on the instruction from the entity that the existing installation must be repaired and maintained. The tender was aseda on the condition of the steam line and hot water installation at that point in time. The tender went out in January 2017. There was no maintenance done on the steam line since July 2016. As no maintenance, very little remedial work was done as per tender specification in the past three years, since July 2016, the deterioration of the steam and condensate pipes are now at such point that repairs will no longer be sufficient or possible.</p> <p>A new elevated steam line will be installed on the inside of the perimeter road and will branch off to the calorifier rooms. Where the distance between the road and the building is small, the piping will be supported by means of wall brackets against the outside wall of the building. The existing pipe bridge from the boiler house will then be extended to connect to the new line on the inside of the road. Two valves, one on each branch will be supplied for ease of maintenance purposes.</p> <p>As new pressure equipment regulations are in place, the existing steam line on the perimeter of the Youth Centre will be pressure tested. Piping program is independent of the main program provided that steam will be available when the building is ready for occupation</p>

Event No.	Process followed
	<p><b>Auditors Assessment</b></p> <p>This demonstrate poor planning by the entity as the entity should have done the assessment before the Sebushi Somo Construction and Projects (Pty) Ltd was appointed in 2017 as maintenance was last done by the entity on the pipes in 2016 and this should have been added on the scope of work that needed to be done on the project. In addition, since the entity is demonstrating that this was necessary they should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
5.	<p><b>Variation order 5 :</b> was approved by the Chairperson of the VO committee S Mohamed on the 12/12/2019 at amount of R 97 893,8</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>• As the installation was still serviceable in 2015 when the status quo report was compiled, the allowance in the bill of quantities was for service and maintenance of the door pneumatic cylinder units. The original units that were installed were decommissioned and did not operate for a long period of time and it was now found that due to corrosion inside these units, the rubber seals disintegrated, allowing the ingress of water causing rust and corrosion rendering the units unusable.</li> <li>• The existing units were imported units and if replaced with the same, will have to be imported.</li> <li>• As the units are sealed units and corroded to such an extent that it is unusable, it is required to replace these units.</li> <li>• With the current exchange rate between Rand and Pound, it is more cost effective to replace these existing units with locally manufactured units. This will also have the added benefit that the future maintenance of these units will be cost effective</li> </ul> <p><b>Auditors Assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
6.	<p><b>Variation order 6 :</b> was approved by the Chairperson of the VO committee S Mohamed on the 11/02/2020 at amount of R 6 582 856,92</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>• The existing wire ways are blocked, corroded and totally unusable, to the extent that the existing and redundant wires cannot be removed from the conduit, therefore rendering the conduit unusable. The wire ways are situated below the ground and in the walls. When the inspection was done to compile the status quo report in 2015, underground wire ways were checked and was found to be satisfactory.</li> <li>• Leaking plumbing in the service ducts caused water to penetrate the steel electrical conduits and resulted in a system that cannot be used.</li> <li>• This created the need for installation of purpose made tamperproof surface mounted wire ways to provide a way for service is such as pneumatic pipes, electrical wires and control wires to reach the existing service shafts.</li> <li>• A further change in designs necessary to accommodate the utilization of these wire ways for pneumatic pipes, electrical wires and control wires. At each service shaft a control station needs to be installed to control, operate and monitor each door, with an introduction of a purpose made electronic bus system, power suppliers compete with pneumatic pipes, connectors, wiring and small distribution boards.</li> <li>• The existing design of guard tour cell light switches is also influenced by the system and had to be incorporated into this new design to conform to the original requires of the project.</li> </ul>

Event No.	Process followed
	<ul style="list-style-type: none"> <li>These locks can only be refurbished by a specific accredited PMTE supplier. They will therefore be removed and reinstalled by the contractor. These items explain the labour content in both items 1.6 and 1.7.</li> <li>Similarly, there are no specific suppliers of these specific components available. Take note that this supplier is an accredited PMTE supplier.</li> </ul> <p><b>Auditors assessment</b></p> <p>This demonstrate poor planning by the entity as the entity should have done the assessment before the Sebushi Somo Construction and Projects (Pty) Ltd was appointed in 2017 and this should have been added on the scope of work that needed to be done on the project. In addition, since the entity is demonstrating that this was necessary they should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
7.	<p><b>Variation order 7</b> : was approved by the Chairperson of the VO committee S Mohamed on the 12/12/2019 at amount of R 50 033,84</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>Recently changed intelligence regulations require that the ISS security equipment (recording equipment and main servers) must be installed in a secure and access controlled stand-alone environment, separated from the Operator Control Rooms. These necessitated changes to the rooms.</li> </ul> <p><b>Auditors Assessment</b></p> <p>It is not clear when the new regulation was changed and when the changes came into effect therefore we also cannot determine what regulation was used prior in order to assess the importance of the variation order and also to determine if this was not supposed to be included in the initial BOQ . The appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore the variation order is regarded as irregular expenditure</p>
8.	<p><b>Variation order 8</b> : was approved by the Chairperson of the VO committee S Mohamed on the 12/12/2019 at amount of R 3 626 531,54</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>The status quo report that was created in 2015 states that, the existing lightning protection system needs to be repaired and serviced to the then SANS codes standards. In 2018 the SANS code pertaining to lightning protection changed significantly and resulted in non-compliance.</li> <li>A substantial amount of existing installations has been stolen resulting in walkways and all structures no longer protected.</li> <li>The current applicable SANS codes are:             <ol style="list-style-type: none"> <li>SANS 10313 - deals with physical damage to structures and life hazards and South African requirements.</li> <li>SANS 62305-2 - Pertaining to risk assessment.</li> <li>SANS 62305-03 - deals with physical damage to structures and life hazards.</li> <li>EN50164 - deals with surge protection measures electrical and electronically systems within a structure.</li> </ol> </li> <li>The main items that are no longer compliant since the change in the codes are as follows:             <ol style="list-style-type: none"> <li>Use of down pipes (gutters) as down conductors is no longer compliant</li> <li>Connection to earth spikes must be chemically welded</li> <li>The installation methods of earth spikes must be two meters from the building</li> <li>Boxes housing test points are required</li> <li>Pacing and locations of down conductors are incorrect as are installation methods</li> </ol> </li> </ul>

Event No.	Process followed
	<p><b>Auditors assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular.</p>
9.	<p><b>Variation order 9</b> : was approved by the Chairperson of the VO committee S Mohamed on the 12/12/2019 at amount of R 104 749,03</p> <p><b>Reason for Variation order</b></p> <ul style="list-style-type: none"> <li>• The 2015 status quo report states that the existing power factor protection system needs to be repaired to its original status. Since then the equipment became obsolete and the supplier of these units cannot repair these units as originally planned, as no spares are available.</li> <li>• The existing oil insulated capacitors is now not in line with Occupational Health and Safety requirements. These controllers are no longer available and need to be replaced. The new capacitor technology does not contain oil and therefore does not pose these risks.</li> <li>• Power factor correction is required to ensure compliance to National Energy Regulatory requirements and energy savings.</li> </ul> <p><b>Auditors Assessment</b></p> <p>The variation order relates to additional scope of work that was not included in the Bill of Quantity this demonstrate poor planning by the entity. The entity should have went to the market and advertised a tender according to Treasury regulation 16A3.2. This is irregular as a fair process was not followed also the appointment of JFE Group Empowerment (Pty) Ltd was awarded irregularly. Therefore, this variation order is irregular</p>
10	<p>December 2020 Variation totaling to R15 399 073.09 was rejected by national treasury siting that this demonstrates poor planning, execution/delivery of the project and contract management, as well as elements of fruitless and wasteful expenditure and abuse of SCM system</p>

### Overall assessment by auditors

A procurement process was followed in 2017 for tender no. PT16/052 emthonjeni youth centre for repair and upgrade to security installation, electrical installation, building, steam installation and wet services for a period of 30 months for an amount of R157 995 881.50. Sebushi Somo Construction and Projects was awarded the contract on the 12 October 2017. This contract was subsequently handed over to JFE Group Empowerment (Pty) Ltd by Sebushi Somo Construction and Projects on the 23<sup>rd</sup> of August 2019. PMTE approved the assignment agreement on the 17<sup>th</sup> of July 2019.

According to the work performed above, it shows that the entity approved assignment of a contract that was awarded to Sebushi Somo Construction and Projects (SSCP) Pty Ltd to JFE Group Empowerment (Pty) Ltd. As per Treasury Regulation, 16A6.4 approval from national treasury had to be obtained before the contract was assigned to JFE Group Empowerment (Pty) Ltd. There is no evidence that such approval was obtained by management prior to the reassignment of the work to JFE Group Empowerment (Pty) Ltd. This was also confirmed through the inspection of the letter from national treasury dated 19 May 2021 as treasury was questioning the prescript that was used to assign the contract originally awarded to Sebushi Somo Construction and Projects (Pty) Ltd to JFE Group Empowerment (Pty) Ltd.

PMTE did not follow proper procurement process to appoint JFE Group Empowerment (Pty) Ltd, when the contract that was initially assigned to Sebushi Somo Construction (Pty) Ltd was now assigned to JFE Group Empowerment (Pty) Ltd which is not in line with Treasury reg.16A3.2a and Paragraph 38(1)(a)(i) and 38(1)(a)(ii) of the PFMA act.

PMTE only relied on the engineer's motivation that JFE Group Empowerment (Pty) Ltd was best suited to be a subcontractor to do the ISS installations due to their expertise and extensive experience; however, there are no documents that supports that JFE have a required expertise and experience. Therefore appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive and cost effective, was not followed by PMTE to appoint JFE group.

When Sebushi Somo Construction and Projects (Pty) Ltd was not performing and requested the approval of the project to be assigned to JFE Group Empowerment (Pty) Ltd, the entity should have started a new procurement process. Starting a new procurement process is to give an opportunity to other service provider to bid for the tender and to ensure that a process that is fair, equitable, transparent, competitive and cost efficient is followed. Furthermore, PMTE was aware that Sebushi Somo Construction was behind with the project schedule as several letters were sent to Sebushi Somo Construction to speed up the project that was indication that the contractor was no longer performing.

As per letter from National treasury dated 19 May 2021, responding to a request made by PMTE for approval of variation orders in excess of 15% of the original contract value of R157 995 881.50. Treasury was also concerned on how JFE group empowerment (Pty) Ltd was appointed as the entity did not consult NT and the conclusion made by treasury is the procurement process of this contract was flared.

Further PMTE requested approval from National treasury for variation orders in excess of 15% of the original contract value of R157 995 881.50 as prescribed in National Treasury Instruction 3 of 2016/17 paragraph 9.1 and 9.2. National treasury rejected the request and concluded that the deviation is not approved as the reasons provided for the variation were not justifiable as this demonstrate poor execution of the project and contract management, by PMTE. In addition, treasury indicated that the contract extension was approved after the contract expired; therefore, there is no contract to vary.

Based on the above the appointment of JFE Group Empowerment (Pty) Ltd was not based on the SCM prescript as this appointment was not in accordance with Treasury reg.16A3.2a and Paragraph 38(1)(a)(i) and 38(1)(a)(ii) of the PFMA act. The variation orders made on the contract are not valid they should be regarded as irregular

## **Impact**

- Non – compliance with Treasury Regulation paragraph 8.2.1 and 8.2.2 resulting in irregular expenditure
- Non- Compliance with Treasury reg.16A3 resulting in irregular expenditure
- Non- compliance with PFMA Act paragraph 38(1)(a)(i) and 38(1)(a)(ii) resulting in irregular expenditure
- Non - compliance with Treasury Regulation 16A6.4 resulting in irregular expenditure
- Non- Compliance with National Treasury Instruction 3 of 2016/17 paragraph 9 resulting in irregular expenditure
- The contract was irregularly awarded to JFE Group Empowerment (Pty) Ltd
- Understatement of irregular expenditure by an amount of R134 894 847.54 total amount paid on the contract as at year end

## **Internal control deficiency**

### *Leadership*

Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

Management did not follow proper procurement process to appoint the contractor

Management approved multiple variation orders as a result of additional scope of work that should have been included in the BOQ

Management did not properly plan for this project as a result they approved 16 variation orders for work that should have been added in the BOQ of the appointed supplier also in the specification of the project

### *Financial and Performance Management*

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

## **Recommendation**

It is recommended that:

- Management should disclose irregular expenditure of total amount of R134 894 847.54 that is paid to date on the contract
- Management should ensure that proper planning of the project is done to avoid unnecessary variation orders.
- Management should ensure that before the project is assigned from one supplier to another supplier they request approval from treasury
- Management should ensure that in a case where there are additional repairs that are necessary and could not be avoided they follow a process that is fair, equitable, transparent, competitive and cost effective as per treasury regulation 16A.3.

## **Management response:**

### 1. Assignment of Contract:

1.1. The assignment of a contract is provided for in the Departmental Project Management Delegations and it is solely delegated to the National Bid Adjudication Committee (NBAC). A submission to the NBAC which extensively motivated the reasons why the Department could not go out on an open tender is hereto attached. (See Annexure A)

12. The due processes were followed in securing the approval from NBAC of the assignment of contract from Sebushi Somo Construction and Projects to JFE Industries (PTY) LTD as per Departmental Project Management Delegations (See item 5.15 page 33) as approved by the Departmental Accounting Officer on 20/12/2017. (See Annexure B)

1.3. The assignment was also done as per the provisions of Clause 2.5 of the General Conditions of Contract (GCC), 2nd Edition of 2010. This is a contractual matter and it had to be dealt with in terms of the contract between the Department and the main contractor.

Please refer to the letter from the contractor i.e. Sebushi Somo Construction and Projects requesting assignment of contract to JFE Industries (PTY) LTD. (See Annexure C).

1.4. Our understanding is in conflict with AGSA in respect of the use of Regulation 16A6.4 in this instance. A deviation is applicable where you have a situation in which you want to deviate from a competitive bidding process. The project had already gone through a competitive bidding process in 2017 and had been awarded to the competitive bidder. In this instance, there is no deviation, which requires the approval of the National Treasury. We are of the view that a wrong Regulation is being applied by AGSA.

1.4. What happened here is that the main contractor assigned his contract to the subcontractor who was familiar with the project and who was supposed to continue with the contract at the same terms and conditions.

## **2. *Project Planning***

2.1. Subsequent to the response received from National Treasury regarding request to approve Variation Orders 11- 18, with comments alleging that there was poor planning by the project team resulting in numerous variation orders issued on the project, the Project Manager requested that the Principal Agent give a report to that effect. (See Annexure D).

2.2. The Principal Agent submitted a report indicating extensive reasons why numerous Variation Orders were issued which was interpreted as Poor Planning by National Treasury. Amongst other reasons, the Principal Agent indicated that there was limited to no access to some portions of the facility during the planning stage therefore the exact condition could not be established. These reasons are dealt with in his report. (See Annexure E)

## **3. *Variation Orders***

3.1 All Variations orders on this contract were submitted to the Variation Order Committee and they were considered and approved as per Clause 6.3 and 6.4 of the GCC (2010), 2nd Edition and Item 5.2 of the Project Management Delegations as approved by the Accounting officer.

## **4. *Contract validity***

4.1. We do not agree that this project had expired and are of the view that NT is wrong to have come to the conclusion that this projects had ended. Variation orders are part and parcel of construction project management and are included in the forms of contract that the Department is using and are also catered for in our Delegation of Authority.

At the time a request was made to NT to approve the variation orders, an intention to make a claim to extend the contract period, had already been made by the contractor as per the signed contract. The actual claim could only be submitted for consideration when the delay has ended, hence it becomes an ongoing process.

4.2. Extension on contract period is in accordance with Clause 5.12 of the GCC (2010), which stipulates the circumstance under which the contractor is entitled to claim.

4.3. All claim for extension of contract period were done in terms of Clause 10 of the GCC contract. Clause 10.1.1. 2.2 which provides that the contractor can submit an intension to make the claim for extension of time by notifying the Engineer within 28 days after the circumstance or event if they cannot comply with Clause 10.1.1.1.1. This essentially mean that the contract is valid as the actual claim for extension of contract period can only be submitted and considered after the event or delay have ended ( Clause 10.1.1.3 ).

4.4. The contract period can only be extended on approval of the actual claim by the contractor considering provisions of 5.12 and Clause 10.1 of the GCC (2010) 2nd Edition.

## **5. *Irregular expenditure***

The variation orders made on this contract are valid and cannot be regarded as irregular as: 5.1 . They have been dealt with in terms of GCC form of contract and the approved Delegation of Authority.

5.2. These are contractual matters and have been dealt with in terms of the contract between the Department and the contractor.

5.3. They have been considered and approved by the Variation Order Committee. A Committee that has been appointed by the Accounting Officer.

## **Auditor's conclusion**

### **1 Assignment of Contract:**

Management response has been noted however as indicated in paragraph 3.1 of the internal memo under submission /motivation of the hand over it is stated that “ An assignment agreement is when the current contractor identify in the market another contractor to sign an assignment agreement with them that they are willing to take the contract over as it is. This means the new contractor takes over the contract and complete the project as it is currently on site. This assignment agreement must be approved by the entity according to their policies and guidelines and with the input from national treasury before this new contractor can commence on site. ” The entity NBAC approved the assignment of project in 2017 but the inputs from treasury were not obtained before the new contractor commenced on site therefore the finding is not resolved as the proper procurement process was not followed to appoint the supplier

### **2. Project Planning**

The variation orders relates to the additional scope of work that was not initially included in the BOQ therefore this then proves poor planning by management

### **3. Irregular expenditure**

A proper procurement process was not followed to appoint the supplier therefore the award is regarded as irregular as detailed in the finding also the variation orders are regarded as irregular expenditure as detailed in the finding. Therefore the finding is not resolved.

## BLOEMFONTEIN REGION

### PMTE BLM COFF 06 -SCM- Local content procurement form not accurately completed and DTI not notified

#### Requirements

*Public Finance Management Act paragraph 38(1)(a)(i) and 38(1)(a)(iii) states that “The accounting officer for a trading entity must ensure that the trading entity has and maintains*

- (x) *Effective, efficient and transparent systems of financial and risk management and internal control;*
- (xi) *(iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;”*

*Public Finance Management Act paragraph 38 (1)(c)(ii) states that “The accounting officer for a trading entity must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct”*

*Preferential Procurement Regulation 4(2) states that “A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.”*

*National treasury instruction note 15 of 2016/2017 paragraph 4.3 states that: The local content (LC) expressed, as percentage of bid price must be calculated in accordance with the following formula, which must be disclosed in the bid documentation:*

*Guidance Document for the calculation of Local Content states that:*

- *LC = (1-x/y)\*100.*
- *X is the imported contend in rand*
- *Y is the bid price in rand excluding value added tax(VAT)*

*National Treasury Designated Sectors Instruction Number 15 of 2016-2017 in paragraph 4.5, for purposes of complying with paragraph 4.1, 4.2 and 4.3 of the instruction notice, “The local production and content SBD 6.2 must form part of the bid documentation. The SBD 6.2 is for use by all National, provincial departments, constitutional institutions and public entities listed in schedules 2, 3, 3A, 3B, 3C and 3D of the Public Finance Management Act.”*

*National Treasury Designated Sector Instruction Notes paragraph 7.1 states that “Once bids are awarded, the DTI must be notified of all the successful bidders and the value of the contracts; and provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the declaration C submitted by the winning bidder.”*

#### Nature

##### Bloemfontein region

###### Issue 1:

During the audit of tender no BL20/031 for Correction on Completion for retention contract we noted that the winning bidder did not comply one of the pre-qualifying criteria's, as the bidder did not complete correctly the bid price in PA 36 Local production and content for designated sectors). Furthermore, the amount captured in PA36 did not agree to the total on Annexure C .There were also errors identified on the calculations of Annexure C).

We also noted that the Bid Evaluation Committee listed the winning bidder Shikwinya building construction as non- responsive but was evaluated further even though it was listed as non-responsive.

The detail of the award are as follows:

No	Tender number	Project Description	Supplier Name	Total amount incurred
1	BL20/031	Correction on Completion for retention contract.	Shikmiya Building Construction	R30 590 780.00

### **Issue 2:**

- During the audit of supply chain management for competitive bids, we noted that Shikwinya building construction was awarded the tender with the tender amount of R30 590 780.00, tender number of BL20/031, Local content was part of responsive criterion however DTI was not notified of the all the successful bidder and estimated value of the contract. See table below:

No	Tender number	Project Description	Supplier Name	Total amount incurred
1	BL20/031	Correction on Completion for retention contract.	Shikmiya Building Construction	R30 590 780.00

### **Impact of the finding**

- The department did not comply with the Preferential Procurement Regulation 4(2).
- Irregular Expenditure of limited to the amount paid to date.
- Non Compliance with National Treasury Designated Sector Instruction Notes

### **Internal control deficiency**

Financial and Performance Management

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

During the competitive bidding evaluation, management did not compile a checklist to assist with identifying that the specification is not fully complete.

### **Recommendation**

- It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations and ensure consistency in how all bidders are assessed.
- Management should enhance the SCM compliance checklist by ensuring that the pre-qualifying checklist is reviewed to ensure that the reviewer will detect any matters, which the compiler might have missed.

- Management to check and ensure that the various bid committees do not exceed their scope of their Powers.
- Management should disclose the Irregular Expenditure of limited to the amount paid

### **Management response**

#### **Issue 1**

Management is in agreement that the PA36 and Annexures C contained errors. We do however not agree that this results in irregular expenditure, but is an administrative matter. The stipulated minimum threshold was indicated as 70%, 90% and 100% depending on the commodity. Although the amounts is incorrect the bidder indicated on all commodities that the percentage local content is 100% which exceeds and complies to the minimum thresholds and 100% remains 100% no matter the amount. PPPFA regulations of 2017 paragraph 8 (5) states that “a Tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender”. The minimum threshold was complied with and therefore the bid is acceptable. The award amount on which local content was calculated can change during the construction period as well due to VO’s, CPA, etc. and therefore is the important factor the percentage.

The Regional Bid Adjudication Committee also confirms that The general requirement of PA 36 state that a bid may be disqualified if the Declaration Certificate and the Annexure C, are not submitted as part of the bid documentation ,it does not state that the disqualification of the bid is based on inaccurate information. The management noted that the winning bidder’s imported content was 0%, therefore the local content was to remain at 100% no matter the bid price.

Management does not agree that the BEC listed the winning bidder as non-responsive as on the last meeting of the BEC held on 22 January 2021 the bidder was listed as responsive and therefore evaluated further.

#### **Issue 2**

The submission of information to DTI is done by HO and the regional office can therefore not confirm or deny whether HO submitted the name of the successful bidder and estimated value of contract to DTI as per the query above. We can however confirm that this information was submitted to HO. We do however confirm that copies of the contracts, the PA36 Certificates together with the annexure C submitted by the winning bidder was not submitted to HO for

submission to DTI as we were still awaiting feedback from HO as to who the responsible official is to whom we should submit. We did however submit it to HO now on 14 July 2021.

Action Plan: SCM to ensure compliance by submitting the PA36 documentation to Head Office, within 5 days after award.

Responsible Official: DD: SCM

#### **Auditor's conclusion**

Management response noted and the finding will remain on the management report.

## NELSPRUIT REGION

### NEL COAF 01 - Misrepresentation by the winning bidder (false declaration)

#### Requirements

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

Practice Note 7 of 2009/10 par 4.1.2 – Pre-qualification criteria for preferential procurement state that “*A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.*”

Section 16A6.3 of the Treasury Regulations states that “*The accounting officer must ensure that bid documentation and the general conditions of a contract are in accordance with the instructions of the National Treasury or the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry.*”

#### Nature

During the audit of competitive bidding, we noted that PA-04: Notice and Invitation to tender stipulated amongst others, the following responsiveness criteria:

1. “Submission of (PA-11): Declaration of interest and Tender’s Past Supply Chain Management Practices.

The following winning bidders incorrectly stated that they had **not** conducted business with the State in the previous 12 months on submission of PA 11 Declaration of interest and bidder's past supply chain practices. However, upon inspection of the prior year quotation register, we noted that the supplier had conducted business with the Property management Trading Entity in the previous 12 months. Therefore, the bidder has made a false declaration about his past business dealings.

No	Service provider:	Description of contract:	Reference :	Amount paid (R)
1	ASIPHAKAMENI TRADING	REPAIR WALKIN FREEZER: BARBERTON PRISON	2005-147	195 810
2	BAKOENA COOLING SYSTEMS	REPAIR MAIN CIRCUIT BREAKER: NELSPRUIT PRISON	NTS/0120/109792	347 244
<b>Total</b>				
				<b>543 055</b>

#### Impact

The trading entity did not comply with the *Practice Note 7 of 2009/10 par 4.1.2* which would have resulted in the winning bidder being disqualified and considered non-responsive.

The expenditure incurred to date on the contract is Irregular.

## **Internal control deficiency**

### *Financial and Performance Management*

Management did not adequately review and monitor compliance with applicable laws and regulations relating to supply chain management policy.

The winning bidder's submission was not sufficiently inspected to ensure it complied with all the prescribed responsiveness criteria during the evaluation stage.

## **Recommendation**

It is recommended that management should enhance compliance procedures to ensure compliance with all prescribed laws and regulations.

Management should enhance the scm compliance checklist by ensuring that the pre-qualifying checklist is reviewed to ensure that the reviewer will detect any matters, which the compiler might have missed.

## **Management response**

I am not in agreement with the finding above due to the following reasons:

According to the preamble of the PA11 page 1 of 4, paragraph 2 and 3, the paragraph reads “ Any legal person, including persons employed by the State, or persons having a kinship with persons employed by the state, including blood relationship, may make an offer or offers in terms of this invitation to bid ( included price quotation, advertised competitive bid, limited bid or proposal). In view of possible allegations of favoritism, should the resulting bid, or part thereof, be awarded to persons employed by the state, or to persons connected with or related to them, it is required that the bidder or his / her authorized representative declare his or her position in relation to the evaluating/adjudicating authority and /or take an oath declaring his/her interest where:

- The bidder is employed by the state, and or
- The legal person on whose behalf the bidding documents is signed, has a relationship with persons/a person who are/ is involved in the evaluation and or adjudication of the bids, or where it is known that such relationship exist between the person or persons for or on whose behalf the declarant acts and persons who are involved with the evaluation and or adjudication of the bid.

PA 11 declaration of interest: 3.8 it reads as follows: *Did you or your spouse or any of the company's directors /trustees/shareholders/members or their spouses conduct business with the in the previous twelve months?*

Based the above motivation, it must be noted that all questions on the PA-11 are applicable on the basis of the preamble. Since the bidder was not employed by the state, it was not necessary for the bidder to respond with details since the answer to the question was a NO.

Furthermore, we assessed the entity that was appointed and came to conclusion that there is no conflict of interest/false declaration that could be established. As a result, no irregularities was noted in the process which could result in Irregular expenditure.

## **Auditor's conclusion**

Managements responses has been noted, however auditors has made the following assessments:

In terms of PA 11: declaration of interest: 3.8 it reads as follows: *Did you or your spouse or any of the company's directors /trustees/shareholders/members or their spouses conduct business with the in the previous twelve months?*

PA11: Declarations of interest is a document prepared by directors for the company on behalf of the winning bidder, similarly sub para 3.8 of PA11: declaration of interest assess whether the winning bidder has been awarded the contract with the state during past 12 months.

Through inspection of the prior year's quotation register it was noted that the above service providers has performed business with the state with past 12 months.

As a results it is incorrect for the winning bidder to indicate it as not have conducted business with the state in the past 12 months, hence these results in a false declarations of interests.

Because of the above assessment auditors has concluded that the audit issue remains.

## **NEL COFF 02 - Quotation awarded to the non-tax compliant service provider**

### **Requirements**

Public Finance Management Act paragraph (PFMA) 38(1)(a)(iii) states that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective...*”

National Treasury REG16A6.3 states that “*The accounting officer or accounting authority must ensure that bid documentation and the general conditions of a contract are in accordance with the instructions of the National Treasury or the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry.*”

National Treasury Instruction No.09 of 2017/2018 Para 4 states that “

- *Designated employees must verify the bidder's tax compliance status prior to the awarding of price quotations or competitive bids.*

- *Where the recommended bidder is not tax compliant, the bidder must be notified in writing of their non-compliant status and the bidder must be requested to submit written proof from SARS of their tax compliance status or proof that they have made an arrangement to meet their outstanding tax obligations within 7 working days. The bidder should thereafter provide the accounting officer or accounting authority with proof of their tax compliance status which should be verified via Central Supplier Database or eFiling.*

- *Should the recommended bidder fail to provide written proof of their tax compliance status in terms of 4.2 above, accounting authorities must reject the bid submitted by the bidder.”*

### **Nature**

During the audit of procurement and contract management, we noted that the supplier (Bokoena Cooling Systems Pty (Ltd) provided services to the client through an emergency process. The deviation internal memorandum was approved on the 16 January 2021. The selected contractor performed an assessment on the ground from 17 January 2021 in order to determine the nature of the service required. The contractor provided PMTE with the quotation. The contractor was appointed on the 2 January 2021 to perform the work based on the internal memorandum selected.

Based on our audit work we have noted that the selected contractor was non-compliant for tax purposes from the 2019/12/18 to 2020/01/23. This is based on the CSD check we have conducted. Therefore, the selected supplier was not tax compliant when they were awarded with the quotation.

Furthermore, we noted that PMTE performed the CSD check on the month of April 2021 after the service has been provided.

No	Service provider:	Description of contract:	Reference :	Amount (R)
1	BAKOENA COOLING SYSTEMS	REPAIR MAIN CIRCUIT BREAKER: NELSPRUIT PRISON	NTS/0120/109792	347 244
Total				<b>347 244</b>

### **Impact**

This is non-compliance with Treasury Instruction No.09 of 2017/2018 Par. 4. This will therefore results in the irregular expenditure of R347 244.

### **Internal control deficiency**

#### *Financial and performance management*

Management did not review and monitor compliance with applicable laws and regulations.  
Management did not implement procurement processes in a manner to ensure that SCM regulations are adhered to.

### **Recommendation**

It is recommended that management must enhance the review of SCM documentation to ensure that all documents are compliant with SCM policy by ensuring that documents are received on time and that all suppliers are checked for tax compliance before the service is provided.

Management should perform the CSD check to confirm the tax status of the selected supplier before awarding the quotation.

### **Management response**

I am not agreement with the finding for the following reasons [and supply the following/attached information in support of this]:

The work done was reported under emergency delegation on the 16<sup>th</sup> of January 2020 at 15h00, and was treated as an after hour due to electricity failure. The contractor sent to site was requested to go look for the problem and report back to the department for which the initial quotation was submitted on the 21<sup>st</sup> January 2020 for approval by facilities management. Between 18-28 January 2020, the contractor was still doing fault finding at the site and Facilities Management was still waiting for a revised quote from the contractor.

When the contractor was sent to site no order or appointment letter was issued since the quote was not yet approved due to the nature of the work to be done on site (Power failure/burnt Transformer). A debate between the Department and the contractor made it difficult to issue an order whilst the contractor is still determining parts of the work. The work was completed by April 2020 and that is when SCM issued the order.

It was only after the work was completed when FM requested SCM to issue with an order with a per-determined amount based on the pre-approved quotation. When the order was issued it is then that SCM would print the CSD report to attach to the file.

After that process (running of CSD, issuing of appointment letter and purchase order) has been finalized SCM then prepared the document to serve in bid adjudication for ratification which by then everything was in order including the CSD which the contractor was fully compliant

Kindly take note that this process of after-hours appointment of contractors is total different form the normal emergency appointments where the order and CSD are checked prior appointment. Control Works Management normally go to the CIDB to nominate after hours contractor. We did not notice the non-compliance since it was not reflected in any of our documents during the time of issuing an order.

We take note in the fact that the order was issued late, and by that time the CSD was already updated, and no noncompliance was noted on the side of the department. See the attached emails the attached emails that resulted the appointment letters and purchases order not to issued issued timeously which was the result of the deliberations between facility Management and the contractor

**Auditor's conclusion**

Managements responses has been noted however, in terms of Treasury regulations 16A9.1 (d) states that:

The accounting officer or accounting authority must –

(d) Reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations

We are on agreement that the Quotation was approved as an emergency and based on email communications we have noted dates the submissions was made, however the Officials failed to provide us with the evidence of downloads of the CSD Compliance History Report to view the tax status history of the supplier to determine whether the supplier was compliant at the date of award.

Therefore based on above assessment finding remains.

**JHB COFF 02 - Deficiencies in contract management at Leeuwkop Prison –Follow up**

**Requirements**

Public Finance Management Act (PFMA) section 1 defines "*fruitless and wasteful expenditure' as expenditure which was made in vain and would have been avoided had reasonable care been exercised...*"

Public Finance Management Act section 38(1) (b) states that "*The accounting officer for a department, trading entity or constitutional institution for is responsible for the effective, efficient, economical and transparent use of the resources of the trading entity;*"

Public Finance Management Act paragraph 38 (1) (c) (ii) states that *The accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct;*"

PFMA section 38(1) (d) requires that "*The accounting officer for a department, trading entity or constitutional institution is responsible for the management, including the safe-guarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution...*"

Treasury Regulation (TR) 10.1.1 (a) states that "*The accounting officer of an institution must take full responsibility and ensure that proper controls systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse...*"

## Nature

**WCS: 047918**

### **Nature of prior year findings**

Event No.	Details
1	<p>During the 2019/20 financial period, a finding was raised with respect to deficiencies identified in the contract management for the Leeuwkop Prison as a result of Phumi/ZwaShu (PZS) Trading JV not meeting deadlines in relation to the supply and installation of the new boilers as per site programme of works. As such, PMTE had to put the contractor on mora on 18 October 2013 to rectify the slow progress. PZS applied for and obtained approval for an extension of 110 days by the entity. The contract was then terminated on 05 June 2014 (As per termination letter dated 01 October 2015) due to non-performance in accordance with the contract.</p> <p>After termination of the PZS contract, the entity started a new procurement process for the completion of the work on site. A new contractor, Exilite was then appointed on 06 May 2016 to re-perform some of the work that was done by the previous contractor (PZS) and to complete the rest of the contract. Exilite conducted an assessment of the work that was previously done and noted defects on building work that was partially complete and not constructed according to the design, as a result, the integrity of the structure was not satisfactory. This resulted in demolitions of building work because of structural defects.</p> <p>Since inception of the project the two (2) 5000 kg boilers were delivered and not safeguarded/stored outside and not wrapped with the USB green sheets as indicated by the quantity surveyor and confirmed by the PMTE project manager. As the boilers were not covered for a period of +/- five years (This assessment is based on a letter received from Exilite dated 31 July 2018. Four years and six months after PZS was left site in January 2014 and four years after their contract was terminated). This resulted in the boilers being partially damaged / eroded due to exposure of severe weather conditions. Furthermore, critical equipments got damaged and were unusable which required to be refurbished and others replaced. Based on the assessment done, the cost to refurbish and replace the boilers that became eroded was R2 140 908 as per quote John Thompson (ACTOM) dated 20 June 2018.</p>

### **Details as per DPW-05: (EC) Contract Data – (GCC (2004) and site meeting minutes**

Event No.	Details
1	<p>The following contract clauses and site meeting minutes are that of the contract between PMTE and PZS</p> <p><u>Clause 35.1 - Damage to the Works –</u></p> <p>Clause 35.1(a) states that “<i>Without in any way limiting the Contractor’s obligation in terms of the Contract, the Contractor shall bear the full risk of damages to and/or destruction of the Works by whatever cause during the construction of the Works and hereby indemnifies and holds harmless the Employer against any such damage. The contractor shall take such precaution and security measures and other steps for the protection and security of the Works as he may deem necessary...</i>”</p> <p>Clause 35.1(c) states that “<i>The Employer shall carry the risk of damage to or destruction of the Works and material paid for by the Employer that is the result, whether direct or indirect or proximate or remote, of the excepted risks as set out in Clause 35.2...</i>”</p> <p>Clause 35.1(d) states that “<i>Where the Employer bears the risk in terms of this Contract, the Contractor shall, if requested to do so, reinstate any damaged or destroyed portions of the Works and the costs of such reinstatement shall be measured and valued in terms of Clause 44 hereof...</i>”</p> <p><u>Clause 35.2 – Injury to Persons or loss of or damage to Properties -</u></p> <p>Clause 35.2(b) states that “<i>The Contractor shall be liable for and hereby indemnifies the Employer against any liability, loss, claim or proceeding consequent upon loss of or damage to any moveable, or immovable or personal property or property contiguous to the Site, whether belonging to or under the control of the Employer or any other body or person, arising out of or in the course of or by reason of the execution of the Works unless due to any act or neglect of any person for whose actions the Employer is legally liable.</i></p>

Event No.	Details
	<p><i>The Contractor shall upon receiving an Order in Writing from the Engineer cause the same to be made good in a perfect and workmanlike manner at his own cost and in default thereof the Employer shall be entitled to cause it to be made good and to recover the cost thereof from the Contractor or to deduct the same from amounts due to the Contractor until the issue of the Certificate of Completion..."</i></p> <p>Clause 35.2(c) states that "<i>The Contractor shall be responsible for the protection and safety of such portions of the premises placed under his control by the Employer for the purpose of executing the Works until the issue of the Certificate of Completion..."</i></p> <p>As per inspection of site meeting minutes no. 18 held on 10 September 2013 and site meeting no. 19 held on 08 October 2013 the audit team noted that several discussions were held with regards to the exposure of boilers to adverse conditions. The following was discussed in the said meetings</p> <p>Meeting held on 8 October 2013 Section 1.4 (a) - Progress report "<i>It was noted that a number of ancillary equipment for the boilers remain exposed to weather elements and some equipment has begun corroding..."</i></p> <p>Section 1.9.1 – Department of Public Works "<i>MP noted that the boiler ancillary equipment was showing signs of corrosion. DPW will not accept corroded or second hand materials since they had paid for new equipment. Contractor to have his suppliers to provide guarantee and warranty letters before equipment is accepted. It remains the contractor's responsibility to look after all equipment until final delivery..."</i></p> <p>Section 1.9.3 – Engineers / QS "<i>The ancillary equipment for boilers was noted to remain unwrapped. Contractor to wrap all equipment as per Engineer's instructions. Contractor committed to wrap all ancillary equipment using USB green sheets by Friday, 13/09/2013. All equipment to be wrapped around i.e. bottom up, top and sides to avoid corrosion, SM highlighted that if any of this equipment is not as per specifications caused by exposure to weather elements, final delivery will not be taken. Ongoing..."</i></p> <p><b><u>Auditor's assessment</u></b></p> <p>Based on the DPW-05: (EC) Contract Data – (GCC (2004), PZS was responsible to bear the risk of damage during construction as instructions were given to the contractor (PZS) to wrap all equipment using USB green sheets. PZS didn't take due diligence in ensuring that all critical boiler equipment's were not exposed to severe weather conditions and as such PZS should have bear the full risk of damages during construction works.</p> <p>On termination date of the PZS contract, no assessment on the condition of the boilers and its ancillary equipment was conducted. The damage at that stage should have been quantified and recovered from PZS or withheld from the retention payable at that time.</p>

### **Follow up conducted in the current year**

Event No.	Details
1	<p>Physical verification was conducted on the 23 July 2021 with the AGSA officials and PMTE project manager and the following was noted:</p> <ul style="list-style-type: none"> <li>- The boilers (The ones that were previously exposed to severe weather conditions) were now in a covered boiler house and a sub-contractor [Babak Steam Services Pty Ltd (New contractor)] was on site. However, the audit team noted that the project is still not complete as mechanical work is still being conducted on the boilers such as replacing corroded parts and cleaning corrosion on critical equipment's of the boiler.</li> <li>- Deterioration was evident on critical components such as stoker spares, swing chutes and ash conveyors to name a few and the contractor on site was working on them.</li> <li>- As a result of boilers being exposed to severe weather conditions, a number of valves (Almost all) became hard and brittle and as such, they were replaced to avoid leaks when commissioning the boilers.</li> </ul>

Event No.	Details
	<ul style="list-style-type: none"> <li>- Corrosion was also evident on the steam generator and they need to be serviced.</li> <li>- Certain parts were replaced on the control panels. (Replaced parts were placed next to the panels).</li> <li>- It was further noted that the actual cost to fix boiler corrosion and replacement of critical is not known at the moment as the damage on site is estimated to be more than the quote of R2 140 908 dated 20 June 2018 that was conducted by John Thompson (ACTOM). It is almost 3 years since the date of the quote and the boilers have not been complete and put into use. The actual damage cost will be conducted and quantified on a final account as</li> <li>- As per discussion with project manager and inspection of the PZS boiler purchase order, noted that the boiler price paid by PZS for the two boilers that were exposed to severe weather conditions was inclusive of the commissioning and training cost for boiler operators (R158 612 and R42 214) respectively. As the boilers were not commissioned and no training was provided to the boiler operator, the entity would now have to pay (R252 000 VAT exclusive) such costs again as quoted by ACTOM. The quoted amount would be more in considering time value of money as the quote is dated 3 years back.</li> </ul>

## Impact

- Non – compliance with Treasury Regulation 10.1.1 (a) and PFMA sections 38 (1) (d) as the entity did not take full responsibility and safe-guarding of the boilers while they were on site and after the termination date of PZS as a result more cost will be incurred to replace critical parts.
- The non-compliances above resulted in the entity incurring fruitless and wasteful expenditure and as of the date of this report, it is unquantifiable.

## Internal control deficiency

### *Leadership*

Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

Poor project management by consultants and project managers resulted in boilers not being wrapped by the USB green sheet during the construction stage as a result boilers were exposed to severe weather conditions and dilapidated.

### *Financial and Performance Management*

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

Management did not conduct boiler assessment on date of terminating PZS contract as a result were not able to recover the financial loss from the contractor.

## Recommendation

It is recommended that:

- The accounting officer should commission an investigation into the above-mentioned project to determine the full extent of fruitless and wasteful expenditure incurred.
- The roles of the consultants in failing to mitigate this risk should be investigated with a view to recover losses, where professional negligence is detected.

- Management must determine the total financial losses, which were suffered by the entity as a result of the above-mentioned irregularities. The workings must be submitted to the AGSA.

### **Management response**

I am not in agreement with the finding for the following reasons.

No.	Detail response required	Management comment
1	<p>Confirmation that the indicated <b>non-compliance did not occur</b>. [If management does not agree, please provide a motivation for the latter as well as the evidence to support the motivation.]</p>	<p>The boilers on site were covered in a protective material from the manufacturer to prevent them from damage until installation, however installation never materialised as the contract of PZS was cancelled in October 2015.</p> <p>The Department could not finalize the awarding of contract 02 due to the dispute lodged by PZS against the Department for the alleged unpaid work of December 2013, which led to PZS litigating the Department. PZS did not make any follow-up on their litigation. During that time the boilers were in protective material.</p>
2.	Indicate the <b>circumstances</b> that led to the non-compliance.	Contract 02 was awarded in May 2016. The unforeseen delays experienced, (including the litigation lodged by PZS) in concluding the award attributed to the subsequent deterioration of the boiler cover and corrosion of boiler components as they were exposed to inevitable physical weather elements.
3	Did the <b>non-compliance resulted in or is likely to result in a financial loss</b> for the trading entity? [Note: Please provide a motivation for the response and evidence to support the response]	<p>No, the amounts stated in the COFF for commissioning and training were not paid at that time since the boilers did not get commissioned and training was not done under PZS contract (<i>see annexure A - payment certificate item 2: Material on site</i>).</p> <p>These activities will be concluded under the current sub-contractor on site.</p> <p>All Corrective measures to address the challenges on site were enforced according to the contract to ensure compliance and communicated during inspections. Currently there is sub-contractor on site working on critical mechanical installations and works are scheduled to be completed by end November 2021.</p> <p>The potential financial loss which may be incurred as a result of the subsequent deterioration of the</p>

		boiler cover and corrosion of boiler components as they were exposed to inevitable physical weather elements will be determined during the final account of the project. Supporting documentation will be provided upon approval of the final account.
4	If the non-compliance resulted in or is likely to result in a financial loss for the trading entity, provide an <b>estimation of the quantum of the financial loss</b> . The detail on how the financial loss was estimated/ quantified should be provided with the supporting evidence.	The estimation of the quantum of the extent of the financial loss will be determined during the final account of the project and the supporting documentary evidence will also be provided in this regard.

### Auditor's conclusion

Management comments are noted, however the status of the boilers is as indicated above based on physical verification conducted. Even though management is disagreeing to the finding, they have indicated that there was subsequent deterioration of the boiler cover and as such corrosion of boiler components was. The boilers were exposed to inevitable physical weather elements and management should quantify the overall overpayments to be noted once the project is finalised.

## **Operating expenditure**

### **MTH COFF 09 – Overstatement of municipal service expenditure (Incorrect classification of transaction)**

#### **Requirements:**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 1: Presentation of Financial Statements paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation…*”

#### **Nature**

##### **Mthatha region**

During the audit of expenditure in the Mthatha regional office, we noted that the expenditure incurred on the service that was provided by Reonet (Pty) Ltd (Supplier) was incorrectly classified as municipal services.

The reason management classified this is due to Reonet offering consulting services related to municipal services in which supplier re-performs municipal services fees and saves the department municipal fees expenditure.

However, this should be disclosed as consulting fees since the service rendered is in effect relates a private entity that renders cost-saving services in benefit of the PMTE. See below table

No.	Supplier Name	Invoice number	Classification per PMTE	Classification per AGSA Assessment	Invoice amount
1	REONET (PTY) LTD	IN107475	Municipal Services	Consulting Fees	426 182

#### **Impact**

This results in overstatement of Municipal Service expenditure by R426 182 and understatement of Consulting fees expenditure by the same amount.

#### **Internal control deficiency**

##### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the invoices to ensure that transactions are classified based on their nature and in the correct accounting period.

**Recommendation**

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response:**

Management response not submitted.

**Auditor's conclusion**

Management did not response, finding remains and will be assessed and reported in the management report accordingly.

**PMTE MTH COFF 07 , PTA COAF 03 - Expenditure: Transactions recorded in the incorrect accounting period (Cut off issues)**

**Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Paragraph 5 of GRAP 1 states that the definition of an Accrual Basis is “*a basis of accounting under which transactions other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, net assets, revenue and expenses.*”

**Nature**

**Mthatha region**

During the audit of expenditure (travel & substance and sundry expenses) for current financial period, we noted transactions that were incurred in the 2019/2020 financial year. However, based on the audit testing we confirmed that these transactions are recorded in the 2020/2021 annual financial statement. This result in the cut off issues where the current year's expenditure is overstated. Refer to the table below for the transactions.

No.	Description	Supplier	Invoice date	Accounting Date	Amount
1	T&S Dom:Car Rental	Travel With Flair	09/03/2020	2020/04/23	12 350
2	P/P:Cleaning Services	Ityatyambo Business Services	10/03/2020	2020/04/22	59 150
<b>Total</b>					<b>71 500</b>

**Pretoria region**

During the audit of expenditure (travel & substance and sundry expenses) for current financial period, we noted transactions that were incurred in the 2019/2020 financial year. However, based on the audit testing we confirmed that these transactions are recorded in the 2020/2021 annual financial statement. This result in the cut off issues where the current year's expenditure is overstated. Refer to the table below for the transactions.

No.	Transaction Description	Supplier	Transaction period	Invoice date	Accounting Date	Amount
<b>Travel and subsistence</b>						
1	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	18/03/2020	2021/01/05	12 350
2	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	5 470
3	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	05/11/2020	2021/01/05	3 794
4	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	17/03/2020	2021/01/05	3 810
<b>Sundry expenses</b>						
5	Outs Maint P/P:Contractd	Mox Trading	2019/20	2019/09/05	2020/11/20	10 741

6	P/P:Safeguard&Security	Lekang Projects and security services	2019/20	2020/03/04	2020/05/14	58 024
<b>Total</b>						<b>94 190</b>

### **Impact**

- This results in the overstatement of the expenditure by R 165 690.00 and understatement of opening balance accruals by R 165 690.00.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

### **Recommendation**

It is recommended that management should enhance the review of the financial statements prior to submission for audit purposes to ensure that all information that is included in the financial statements is complete and presented fairly.

### **Management response**

#### **Mthatha region**

Management response is not submitted.

#### **Auditor's response**

Management did not response, finding remains and will be assessed and reported in the management report accordingly.

#### **Pretoria region**

### **Management response**

Management does not agree with the Lekang Projects and security services finding for an amount of R 58 024, given reason that it was accrued for in the 2019/20 financial year as per the attached Annexure.

Management however does agree with the following transactions as per the finding:

No.	Transaction Description	Supplier	Transaction period	Invoice date	Accounting Date	Amount
<b>Travel and subsistence</b>						
1	T&S Dom:Car Rental	Travel With Flair	06/03/2020 - 13/03/2020	18/03/2020	2021/01/05	12 350

2	T&S Rental	Dom:Car	Travel With Flair	06/03/2020 13/03/2020	-	17/03/2020	2021/01/05	5 470
3	T&S Rental	Dom:Car	Travel With Flair	06/03/2020 13/03/2020	-	05/11/2020	2021/01/05	3 794
4	T&S Rental	Dom:Car	Travel With Flair	06/03/2020 13/03/2020	-	17/03/2020	2021/01/05	3 810
<b>Sundry expenses</b>								
5	Outs P/P:Contractd Maint	Mox Trading		2019/20		2019/09/05	2020/11/20	10 741
<b>Total</b>								<b>36 165</b>

The agreement is on the basis that the transactions where not accrued for in 2019/20 year.

#### **Auditor's response**

Management response have been noted. We have inspected the accrual listing for 2019/2020 and noted that the expenditure relating to Lekang Projects was included as accrual on the 2019/2020 financial period. Management reversed the accrual in the current financial period.

Based on the other transactions, management have agreed with the finding, therefore the finding will be reported on the management report.

## **PMTE HO COAF 25 Incorrect classification of transactions between conference and venue & Subsistence and travel**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 1: Presentation of Financial Statements paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### **Nature**

#### **Head Office**

During the audit of expenditure in the Pretoria regional office, we noted that the following transactions were incorrectly classified as travel and subsistence on the general ledger account. However based on the assessment of transactions, we noted that they relates to conference and venue hire under account 823. Refer to the table below:

No	ACCOUNTING DATE	ACCOUNT DESCRIPTION	Amounts
1	5/28/2020	T&S Dom:Accommodation	1 843 852.50
2	5/28/2020	T&S Dom:Accommodation	1 846 957.50
3	5/28/2020	T&S Dom:Accommodation	2 017 335.75
4	6/12/2020	T&S Dom:Accommodation	780 930.50
5	6/12/2020	T&S Dom:Accommodation	974 860.00
6	5/28/2020	T&S Dom:Accommodation	1 299 970.00
7	7/15/2020	T&S Dom:Accommodation	1 142 295.00
Total			<b>9 906 201.25</b>

### **Impact**

This results in overstatement of Travel and subsistence expenditure by R9 906 201.25 and understatement of Sundry expenditure by the same amount.

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

#### **This is due to**

Management did not adequately timely review of transactions for allocation to appropriate accounts.

### **Recommendation**

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response:**

I am in agreement with the finding.

The information is submitted as requested.

**Auditor's conclusions**

Management comments are noted. Management agrees with the finding and therefore will be reported further.

## **PMTE CTN COAF 11 - Expenditure incorrectly classified**

### **Requirements:**

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

GRAP 1: Presentation of Financial Statements paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### **Nature**

#### **Cape Town region**

#### **Issue: Transaction for conference and venue hire incorrectly classified as Subsistence and travel expenditure**

During the audit of expenditure in the Cape Town regional office, we noted that the expenditure transactions listed in the table below was incorrectly classified as Travel and subsistence while it relates to conference and venue hire:

Invoice date	Invoice number	Invoice description	Amount
26-10-2020	CPT2101-906	Conference and incentives	R109 458,94

#### ***Impact of the finding***

#### **The above result in the following:**

This results in overstatement of Travel and subsistence expenditure by R109 458.94 and understatement of Sundry expenditure by the same amount.

#### **Internal control deficiency**

##### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

#### **This is due to**

Management did not adequately review the invoices to ensure that transactions are classified based on their nature and in the correct accounting period.

#### **Recommendation**

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

#### **Management response:**

Management is not in agreement with the audit finding.

The Department uses SAGE system to process payments and item codes are selected from the system. In this case, the item code for this transaction could not be found and the System Controller was consulted to provide guidance on the matter. It was determined that the classification or description of conference and venue hire is not provided on the SAGE system. The search was conducted on SAGE of which only the item Contractors: Event Promoters was found and could not be used. The most relevant and close item code was Accommodation hence this transaction was processed as such. This was in consultation with Financial Accounting as they make the final authorization of payments.

#### **Auditor's conclusion**

Management response noted. Travel and subsistence expense is an important expense account for users of financial statements. Recording other expenses in this expense account will result in misstatements and this distort the picture on financial statements. Account number: 000823 - Venues and Facilities is the most closest account that can be used.

Furthermore, management response in this COAF is not consistent with the responses submitted for a similar finding in PMTE HO COAF 25 where management agreed with the findings and committed to reclassify the expenditure from account number 003377 to account number 000823.

Therefore, the finding remains unresolved and will be evaluated and reported accordingly.

## **MMB COFF 11 - Property rate expenses not traced to the GL-Completeness**

### **Requirements:**

*Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...”*

*Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...”*

*Standard of Generally Recognised Accounting Practice (GRAP 1), paragraph 17 state that “Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.”*

### **Nature**

#### **Mmabatho region**

During the audit of property rates expenditure we noted that the following transactions were paid before 31 March 2021 however we cannot trace the transactions to the general ledger submitted for audit

<b>Supplier name</b>	<b>Invoice no</b>	<b>Payment date</b>	<b>Amount</b>
Mafikeng city council	2022/2021B	21/01/2021	R8 913 372,98
Mamusa local municipality	2020/2021	21/01/2021	R349 875,93
Ramotshere moiloa local municipality	56	11/09/2020	R620 583,36

### **Impact of the finding**

The impact of the finding is completeness of property rates expenses, which will result to understatement of property rates expenditure by R9 883 832, 27

### **Internal control deficiency**

#### ***Financial and performance management***

The entity did not implement a proper financial and reporting system to enable proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

### **Recommendation**

It is recommended that the entity review and performs reconciliation of GL to ensure that IT agrees with supporting documents.

**Management response:**

**Management disagree with the findings for the following reasons:**

- The rates and taxes were paid during the year under review in full, however the Department uses IGRAP 19, timing of expenditure. The batch is prepared and captured on PMIS, thereafter the system pays the rates for the period 12 months for the date of the Municipal Billing 01 July to 30 June yearly.

**Auditor's conclusion**

Management responses has been noted, finding remains and will be assessed and will be reported on the management report according.

**CTN COAF 10, NLS COAF 01, NLS COAF 02, MMB COFF 04, PTA COAF 04, HO COFF 13, DBN COFF 07, PE COFF 06 – Payments not made within 30 days**

**Requirements**

*Section 38(1)(a)(i) of the stipulates that: “The accounting officer for a department, trading entity or constitutional institution must maintain –effective, efficient and transparent systems of financial and risk management and internal control...”*

*Section 38(1)(f) of the Public Finance Management Act state that the accounting officer for a department, trading entity or constitutional institution must settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.*

*Section 8.2.3 of the National Treasury Regulation state that: Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.*

*Instruction note 34 of National Treasury dated 30 November 2011 states that:*

*“4.1 The accounting officer’s responsibility [in terms of section 38(1)(f)] to settle all contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated.*

*4.2 Within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers.”*

*4.3 The system referred to in paragraph 4.2 above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice.”*

*4.4 At any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid.*

*4.6 The information required in paragraph 4.5 above must be submitted to the National Treasury within seven (7) days after the end of the preceding month in the format prescribed in the enclosed Annexure A.”*

*4.7 The accuracy of information in paragraph 4.5 must be confirmed by signature of the department’s accounting officer prior to its submission to the National Treasury.*

*4.11 If accounting officers of national and provincial departments delegate the power to confirm the accuracy of information in paragraph 4.5 to their respective department’s chief financial officer or to any other functionary, the accounting officers are not divested of the responsibility concerning the exercising of the delegated power, as provided in section 44(1)(d) of the PFMA...”*

**Nature**

**Cape Town region**

The following payments were not made within 30 days from the date of receipt of the invoice:

Supplier name		Amount	Payment date	Invoice number	Date of receipt of invoice	Days lapse
COEGA DEVELOPMENT CORP	R19 000,00	201	02-Nov-20	45930	2020/09/29	34
COEGA DEVELOPMENT CORP	R18 430,00	282	19-Nov-20	45931	2020/09/29	51

### Nelspruit region

During the audit of Sundry Expenditure at the Nelspruit regional office, we noted that the following payments were not made within 30 days from receipt of the invoice.

Supplier	Payment No.	Invoice No	Amount	Invoice date received	Payment date	Number of days lapsed
TJ Architects (Pty) Ltd	ZAPNV2009S1008874126	Z0751	R316 956.96	2020/08/04	2020/09/21	48

### Nelspruit region

During the audit of Property Maintenance Expenditure at the Nelspruit regional office, we noted that the following payments were not made within 30 days from receipt of invoice.

Supplier	Payment No.	Invoice No	Amount	Invoice date received	Payment date	Number of days lapsed
LA NATURA	ZAPNV2006S1008843795	Wit 24	R792 637.76	2020/03/18	2020/06/05	73

### Mmabatho region

During the audit of property rates expenditure at MMB, we noted that the following payments were not made within 30 days from the date of receipt of the invoice.

Supplier	Payment No	Invoice No	Amount	Invoice date received	Payment date	Number of days lapsed
Invoice Mafikeng - NW Local Mu	ZAPNV2004S100 7821729	02/2020	R398 950,17	20/11/2019	12/02/2020	120

### Pretoria region

During the audit of expenditure, we noted payments that were not made within 30 days from the receipt of the invoice. Refer to the table below:

No	Supplier Name	PMTE Ref No	Payment date as per	Invoice received date	Days	Invoice Amount

			<b>payment batch</b>			
1	Mox Trading	ZINTP201151001004511	15-Oct-20	05-Sep-19	406 days	10 741
2	Lekang Projects and security services	ZINTP200556006002725	13-May-20	04-Mar-20	70 days	58 024
						R 68 765.00

### **Head Office**

During the audit of sundry expenditure at HO, we noted that the following payments were not made within 30 days from receipt of invoice

<b>Supplier</b>	<b>Payment No</b>	<b>Invoice No</b>	<b>Amount</b>	<b>Invoice date received</b>	<b>Payment date</b>	<b>Number of days lapsed</b>
ODIRILE IT HOLDING	ZINTP200551001002904	IN01939	R4 989 868,43	09 April 2020	19 May 2020	40
Travel with Fair	ZAPNV2012S1001902667	4951414	R5 818,96	21 July 2020	23 August 2020	33

### **Durban region**

During the testing of expenditure, the following was noted:

The department had a legal settlement under case no 4899/15 in which the department and the granted an order to pay the plaintiffs' attorneys R350 000 as court settlement for a claim for damages arising from collapsed vibracrete fence at State-owned property falling on Plaintiff D.D. Mgenge.

The court ruled on 28 May 2020 that the department is to pay this directly into Plaintiffs' attorneys account (Mellows and Swardt) within 30 days of Defendant receiving the court order, failure that may result in interest being charged at 10.25% p.a. until date of payment. On 15 July 2020, the attorneys of the Plaintiff send email communication with the attached judgement requesting date of payment as per order.

However as per inspection of the payment batch, there department only made payment later than 30 days. See below table:

<b>No</b>	<b>Supplier</b>	<b>Reference No</b>	<b>Amount</b>	<b>Date of receipt of court order</b>	<b>Date of payment</b>	<b>No days</b>
1	Mellows and Swardt	ZINTP2009S1003002616	R350 000.00	2020/07/15	2020/09/08	55

### **Port Elizabeth region**

#### **Impact of the finding**

This will result in:

- a) Non-compliance with section 38 of the PFMA, TR8.2.3, and NT Instruction Note 34
- b) Possible fruitless and wasteful expenditure as suppliers may charge interest on the late payments.

## **Internal control deficiency**

### ***Financial and performance management***

Management did not review and monitor compliance with applicable laws and regulations

Management did not have sufficient controls to ensure that all payments were made within the required 30 days from the receipt of the invoice,

### **Recommendation**

It is recommended that the entity reviews the current controls in place used to ensure and monitor that supplier payments are made within 30 days from the date of receipt.

### **Management response:**

#### **Cape Town region**

Management agrees with the audit finding. Management will improve the system of processing invoices within 30 days.

### **Auditor's conclusion**

Management agrees with the finding. The finding will be evaluated and reported accordingly

#### **Nelspruit region**

### **Management response:**

Management is partly in agreement with the audit finding.

### **Auditor's conclusion**

Auditors acknowledges management's responses and the issue of non- compliance will be reported will be assessed for materiality and reported accordingly.

#### **Nelspruit region**

### **Management response:**

**Management partly agree with the audit finding for the following reasons:** Section 8.2.3 of the National Treasury Regulation state that: Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement.

*Both the department and the contractors had matters that had to do with contractual obligation (Penalties). But due to Covid lockdown, and other contributing factors, it become very difficult to process the payment and not take into account the impact of the lockdown as it had an effect on time to complete projects. It was a systems issues for which the RO and contractor has no control over. This resulted in a late payment.*

### **Auditor's conclusion**

Auditors acknowledges management's responses and the issue of non- compliance will be reported will be assessed for materiality and reported accordingly.

### **Mmabatho region**

#### **Management response**

Management agrees with the finding for the following reasons:

- Reapatala invoice monitoring system was introduced to monitor that all payments were made within the required 30 days from the receipt of the invoice. Management heightened the need for instituting consequence management on officials who are not in compliance with the requirement to settle creditor invoices within 30 days.

### **Auditor's conclusion**

Auditors acknowledges management's responses and the issue of non- compliance will be reported will be assessed for materiality and reported accordingly.

### **Pretoria region**

#### **Management response**

Management is in agreement with the finding due to some of the documents not being attached to the payment batch, hence the delay. This is regarding Mox Trading.

Management is in agreement with the finding regarding Lekang Projects, due to the fact that the payment batch was missing.

### **Auditor's conclusion**

Management comments are noted. Management agrees with finding and therefore finding will be reported further.

### **Head Office**

#### **Management response**

Management agrees with the finding.

The non-payment within the stipulated period was due to delays in the certification of the invoices by the line manager and/or due to registration on CSD by the service provider.

In order to ensure compliance the line managers, Circular 71 of 2019 was introduced with effect from 5 August 2019 to improve adherence and compliance to the applicable prescripts. Furthermore, follow up with line managers are done daily to ensure submission of invoices to the Accounts Payable (AP) sub directorate to ensure speedy and timeous processing of payment invoices on SAGE. Also, follow ups Video Conferencing (VC) with regions are held every Friday without fail with the Chief Financial Officer. And, all SMS members have now included the payment of invoices within thirty (30) days as n KRA in their Performance

Agreement to ensure compliance and well as consequence management that is a regular occurrence

**Auditors response**

Management comment noted. The non-compliance will be reported in the final management report, and will be considered together with other similar findings identified to determine whether it constitutes a material non-compliance to be reported in the audit report.

**Durban region**

**Management response:**

*Management response not received.*

**Auditor's conclusion**

Management response not submitted. The finding will remain.

**Port Elizabeth region**

**Management response:**

Management response is not submitted.

**Auditor's conclusion**

No response was submitted by management, finding remains and will be reported in the management report accordingly.

## **DBN COFF 07 - Understatement of Interest Expense**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Section 40 (1) (a) of the Public Finance Management Act (PFMA) states that: “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice...*”

Section 40(3)(a) of the Public Finance Management Act states that: “*The annual report and audited financial statements referred to subsection (1) (d) must fairly present the state of affairs of the department, trading entity or constitutional institution, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned.*”

Standards of Generally Recognized Accounting Practice (GRAP) 1 paragraph 17 states that: “*Financial statements shall present fairly the financial positions, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation...*”

### **Nature**

#### **Durban region**

During the audit of Interest Expense completeness testing, the following was noted:

PMTE entered into a lease agreement with COWSTA on the 11 January 2006 on behalf of Statistics SA to occupy a building in the Longmarket Street in PMB. The lease was for a duration of 5 years from occupancy date 01 June 2006 and to expire on 31 July 2011. The terms of the lease agreement were as follows:

5.1 *The lessee has the right to renew the lease for a further period commencing on the first day after the expiration of the contract of lease and on terms and conditions agreed to by the parties*

5.2 *In the event of the lessee exercising its rights of renewal, he shall be obliged to give the Lessor written notice*

5.3 *At least six months prior to expiry of the lease period the Lessor shall advise the Lessee of the terms and conditions required for the renewal. Within three months of such advice the parties shall have reached an agreement on the terms and conditions to govern the new lease, in the absence of which the original lease will be terminated at the normal expiry period”*

As per the inspection of the termination letter dated 23 September 2011, we noted that the entity did not renew the lease as per clause 5 of the lease agreement as no evidence was

given to the landlord about renewal 6 months prior to the lease expiry date. We further noted that the negotiation of the new lease was only done in September 2011 while the original lease agreement ended on 31 July 2011.

The landlord entered into a lease agreement with another tenant to occupy the building from 1 August 2011 with the knowledge that Statistics SA's lease agreement was coming to an end on July 2011. The new tenant could not move in to the building since Statistics SA was still occupying the building and only vacated the premises on 03 October 2011. As a result, the new tenant cancelled the lease with the landlord as the building was not available for occupancy. As a result, the landlord suffered financial losses and sued the entity.

The court ruled against the entity to pay for damages suffered by the landlord for losing a potential tenant as a result of the entity vacating the premises later than the agreed lease expiry date. A total amount of R5 347 412, 18 was paid to the landlord by the entity on 02 November 2020. The court stipulated an amount of R3 107 928, 12 said to be financial losses suffered by the landlord together with the applicable interest charges from the date of the summons to the date of final payment levied at 7.75% p.a. which amounted to interest expense of R2 239 484.06. This was paid for under payment reference number. This resulted in the payment being recorded under operating leases instead of under interest expense.

No	Payment Reference No	Account No	Account description	Amount
1	<ul style="list-style-type: none"><li>• ZINTP2011S1001001318</li><li>• ZAGEN2011S1004330563</li></ul>	200102	Liab - Current - Operat Lease	R2 239 484.06

## **Impact**

The above may result in the following:

- Non-compliance with section 38(1)(a)(I) and 40(1) (a) (i) of the PFMA,
- Non-compliance with paragraph 17 of GRAP 01 resulting in misrepresentations of balances to the users of the financial statements
- Understatement of interest expense with R2 239 484.06 and overstatement of operating leases with same amount

## **Internal control deficiency**

### ***Financial and performance management***

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the amounts disclosed in the AFS prior to submission for audit.

## **Internal control deficiency**

### ***Financial and Performance Management***

Management did not ensure adequate review procedures to allow for disclosure expenditure as incurred

## **Recommendation**

It is recommended that:

Management should enhance the review of the financial statements prior to submission for audit purposes and ensure that all information that is included in the financial statements is complete and presented fairly.

## **Management response**

Management response not submitted.

## **Auditors response**

Management response not submitted. The finding will remain.

## **PMTE PTA COAF 07 - Completeness of expenditure transactions on the general ledger (GL)**

### **Requirements:**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 38(1)(b) state that *is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution*

The Public Finance Management Act (PFMA) section 40(1)(b) states that “*The accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;*”

### **Nature**

#### **Pretoria region**

During the audit of expenditure in the current financial period, we have performed a completeness test where transactions were selected from the floor and traced to the general ledger. The following transaction was identified from the floor but could not be traced to the general ledger. This results in the understatement of expenditure.

No	Description of Goods and Services received	Supplier Name	Invoice date	Invoice Amount	PMTE Ref No	Date when goods and service received	Invoice Amount
1	Garden maintenance for 36 months	Leafy space	30/11/2020	R60 290.25	ZINTP201251001003557	07/12/2020	R60 290

### **Impact**

This results in understatement of Expenditure by R60 290

### **Internal control deficiency**

#### *Financial and Performance Management*

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Management did not adequately review the provision schedule against the supporting evidence to ensure that the amounts included in the schedule are accurate and are supported by reliable evidence.

### **Recommendation**

Management should ensure implementation of adequate procedures to account for all expenditure items.

Management should make proposed adjustments to the financial statements and provide the proposed adjustments to auditors for concurrence before any final adjustments are made.

**Management response:**

The management is not in agreement with the finding for the reason this payment was paid on the 14<sup>th</sup> of December 2020. See attached proof of payment.

**Auditor's conclusion**

Management comment noted. However, the nature of the finding is that this transaction was not recorded in the general ledger of expenditure items. This is a completeness finding on the expenditure disclosed in the general ledger not an accrual issue. The finding will therefore remain.

## **DBN COFF 05 - Travel and Subsistence allowance approved after the trip has occurred**

### **Requirements**

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Property Management Trading Entity Travel and Subsistence policy states that paragraph 10.1.3 states that “*All travel approvals must be in writing and agreed by the delegated authority prior to departure. In cases where obtaining verbal authorization from the delegated authority, it is the responsibility of the traveller to have the authorization ratified by the delegated authority within 72 hours from obtaining the verbal authorization*”

### **Nature**

During the audit of travel and subsistence allowance, we noted that management did not authorise employee's travels before the travel date but authorisation was obtained after the trip has taken place. Travels were authorised after 72 hours from obtaining the verbal authorization, while other travels were not authorised. Please see below the trips that were authorised after the trip has taken place:

Item No.	Name of employee	Date of Trip	Authorisation trip date	Total amount of claim
1	NS Mchunu	10 and 11 March 2021	17 March 2021	R 3 355.14
2	P Balgovind	04 and 05 November 2020	13 November /2020	R 1 943.24
3	MT Vilakazi	29 June 2020	03 July 2020	R 5 587.92
4	S Govender	24, 25 and 29 June 2020	No authorisation date	R 11 271.36
5	S Govender	11 and 18 December 2020	22December 2020	R 3 828.76
6	T Gaxela	11, 23 and 30/ June 2020	No authorisation date	R 4 640.73
7	NV Mangcengeza	02 and 04 June 2020	No authorisation date	R 1 655.68
8	NV Mangcengeza	22 and 29 May 2020	No authorisation dated	R 2 068.75
<b>Total</b>				<b>R 34 351.58</b>

### **Impact**

The above may result in the following:

- Non-compliance with paragraph 10.1.3 of the entity Travel and Subsistence policy. This will result in the internal control deficiencies.

### **Internal control deficiency**

#### *Leadership*

Management did not exercise oversight responsibility regarding financial, performance reporting, compliance, and related internal controls.

#### **Financial and performance management**

Management did not review and monitor compliance with the Travel and subsistence policies.

Management should ensure that all trips are authorized by the delegated official before they are taken to ensure strong internal controls within the entity.

### **Recommendation**

It is recommended that management must ensure that the entity complies with all applicable laws and policies.

Management must ensure that the travels are approved prior to the trip or within 72 hours of obtaining the verbal authorization as per their Policy.

### **Management response**

#### **This office is in agreement with the finding.**

The above mentioned trips were authorized verbally telephonically by the responsible supervisor before the trips were undertaken by the officials. Actual approval of these trips was delayed due to rotational arrangements due to the covid 19 pandemic. It was noted that some of the trips authorized were not dated. This was an oversight and will be corrected in the future.

Going forward, this office will comply fully with the transport policies and directives in approving the official trips beforehand or else within the stipulated 72 hours.

### **Auditor's conclusion**

The management response is noted, the finding remains as an internal control deficiency exists.

## NLS COAF 04 - Limitation of scope

### Requirements

Public Finance Management Act (PFMA) section 40(1)(a) stipulates *that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards.*

Furthermore, Section 41 states that *“an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require”.*

Paragraph 15 of the Public Auditing Act states that the Auditor-General has at all reasonable times full unrestricted access to -

*“(a) Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;*

*(b) Any of the assets of or under the control of the auditee; or*

*(c) Any staff member or representative of the auditee”*

### Nature

#### Nelspruit region

Requested for information relating to expenditure S&T through RFI 04, was requested as at 21 July 2021 however no supporting documents were submitted for the following transactions:

No	Account descriptions	Accounting date	Payment Number	Objectives	Amount	Outstanding Information
1	T&S Dom: Km Allow(Own Transport)	2020/12/09	ZAPER2012S1001002283	Admin: Construction Man Service	R20 397,50	Payment batch with supporting documents

### Impact of the finding

- Limitation of scope as we were unable to obtain sufficient and appropriate audit evidence to complete the audit and this can also lead in unfavourable audit outcomes.
- Non-compliance with the PFMA sections 40(1) a.
- Non-compliance with the PFMA section 41.
- Increased time spent to request and collect audit documentation may result in delays in finalising the audit and increase in the audit fee.

### Internal control deficiency

#### ***Financial and performance management***

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

### **Recommendation**

It is recommended that all information requested be provided to the AGSA within three days from the date of request as agreed with management.

Officials within the entity are made aware of the audit process and importance of submitting accurate and complete information to the auditors within the required timeframe.

### **Management response:**

Management is not in agreement with the finding for the following reasons. The transaction referred to in the audit finding is not clear or detailed enough to enable the region to provide information. When the sample was received, it had 5 transactions selected as a sample. The office provided the 4, which were very clear in terms of which employees it related to because it was S&T transactions.

One transaction, which had no name and proper referencing (Created by Web User), was not provided as the details were not clear. This matter was referred back to the auditor for further clarity in order to provide the correct documents but the RO never received that clarity.

We now relying on HO to assist both the RO and Auditors to clarify what documents need to be presented for auditing. This has not taken place, and during the exit meeting, Auditor indicated that they will refer this matter to HO for clarity, but will still raise the finding because the sample was received from the Departmental system controller.

### **Auditor's conclusion**

Management's response has been noted and we have indicated that the sample was selected from the GL received in HO.

During the exit meeting, it was concluded that Nelspruit regional office should communicate with HO to understand the merit of the transaction. Therefore, the limitation of scope remains on the basis that there is a transaction on the GL that cannot be substantiated.

## ANNEXURE C: ADMINISTRATIVE MATTERS

### Procurement and contract management

#### PMTE HO COFF 01 - 2020-21 - SCM procurement registers not complete

##### Requirements

Public Finance Management Act (PFMA) section 38(1)(a)(i) state that “*The accounting officer for a trading entity must ensure that the trading entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control...*”

Public Finance Management Act (PFMA) section 40(1)(a)(i) state that “*The accounting officer for a trading entity must keep full and proper records of the financial affairs of the trading entity in accordance with any prescribed norms and standards...*”

##### Nature

During the audit of Supply Chain Management, a consolidated tender and quotation registers were requested for all SCM transactions as at 28 February 2020. However, upon receipt of the registers, the following was noted:

*Quotation register:* In certain instances

- Critical information such as procured /service amounts were left blank for various regions.
- The method of procurement (Normal / deviation) was also left blank for various regions.

*Tender register:*

It was noted that the register was not complete as the suppliers disclosed in the table below were listed as awarded as per DPWI website, however were noted included in the Tender Register submitted for audit as at 28 February 2021. These awards were further selected for audit and the audit team can confirm that they were awarded.

Table A

No	Bid Number	Date Awarded	Service Description	Contract Value Awarded
1	DBN20/11/01	23-Feb-21	KZN Region: All Areas: All Clients: Repairs, Servicing and Maintenance of Lifts: 36 Months Term Contract – (119 Lifts)	R 13 815 427.94
2	DBN950/2019	15-Dec-20	Stanger Home Affairs: Construction of New Building	R 39 978 967.00
3	CPT1009/19	23-Nov-20	Mosselbay: Magistrate office: Repairs and Renovations	R25 605 321.76

##### Impact

The above may result in the following:

- Non-compliance with section 38 of the PFMA
- This resulted in an internal control deficiency as the tender registers are not complete.

## **Internal control deficiency**

### *Financial and performance management*

Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure that the tender is complete and accurate.

Management did not adequately review the tender register to ensure all procurements concluded are included in the register

### **Recommendation**

It is recommended that:

Management should investigate the population to ensure all tenders and related procurements concluded are reported accurately.

Management should update their procurement registers and provide the updated register for audit purposes.

### **Management response**

Quotation Register:

I acknowledge the finding, However the AGSA should consider that the items queried relate to emergency procurement. Emergency procurement amount are only known later when the invoice has been received and this happens after the quotation register has already been submitted to Head Office and by extension AGSA.

Tender Register:

Durban regional office is not in agreement with the finding for the following reasons [and supply the following/attached information in support of this]: The two contracts for Durban Regional Office: DBN950/2019: Stanger Home Affairs awarded to Umzulu Trading Enterprises cc and DBN20/11/01: Repairs, Servicing and Maintenance of Lifts awarded to Musani Trading Enterprise were updated and appear as such on the register received from head office. See the attached Consolidated Procurement Plan as proof

Cape Town regional office is not in agreement with finding of the Auditor General. However, it must be noted that the Department has compiled the procurement plan for 2019/20 financial year in accordance with the National Treasury Instruction Note 2 of 2016/17.

In the event where a project was listed in an approved Procurement Plan of 2019/20 and was advertised during the applicable year, it is allocated its own WSC number ( 048590) and submitted to Head Office for consolidation and further submission to National Treasury. Management's understanding is that: it was not necessary to allocate another different WSC number, the reason behind it's already on the Departmental Contract Register. See the attached Consolidated Procurement Plan as proof

### **Auditor's conclusion**

Management comments are noted, however instances of incorrect register were further noted and discussed in ASC. Even though the finding has no financial impact, management must continue to improve the register and separate DPWI and PMTE.

## FINDINGS RELATING TO THE INFORMATION SYSTEMS AUDIT

### 1. USER ACCESS MANAGEMENT

User access controls ensures that only valid and authorised users are allowed access to initiate and approve transactions on the system and that user access is adequately segregated when transactions are captured and approved.

#### 1.1 Inadequate implementation of user access management controls around WCS system

##### Audit finding

Deficiencies relating to the administration of user access controls on the WCS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, password configurations, amendments of user access, duplicate user ID's:

- Cognizance was taken of the fact that ICT Application Management division reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- Although management committed to perform regular review of system administrator activities which was implemented, however the control was not adequately performed as the reports used did not detail admin activities performed by the system administrator such as user creation, password reset, allocation of functions and deletion of user accounts.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that "As soon as an employee leaves the department, all his/her system logons must be revoked/terminated. However, WCS users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and five (users) were identified, in the current year fifth-teen (15) users were identified to be active on the system. The details of the accounts are listed in the table below:

No	SURNAME	FIRST NAMES	PERSALNO	USER STATUS	RESIGNATION_DATE
1	LANGHANS	RUDOLF	13365321	ACTIVE	20201231
2	PUREN	MAUREEN	13365754	ACTIVE	20200831
3	STEYN	KARIN	13388428	ACTIVE	20201231
4	NEL	PETER	13376080	ACTIVE	20201031
5	VAN DEN BERG	THEO	13371142	ACTIVE	20201231
6	PITSE	DAMARIS	13410873	ACTIVE	20200831
7	VELDSMAN	BRIAN	19483813	ACTIVE	20201204
8	MANAGA	AZWIDIVHIWI	19104871	ACTIVE	20200831
9	NGWENYAMA	NOMSA	82213046	ACTIVE	20200831
10	MAMAREGANE	MONYEPAO	27159957	ACTIVE	20201231
11	DYOSI	ABULELE	27816168	ACTIVE	20200630
12	NGOZI	KUNGEZA	27816672	ACTIVE	20200630
13	MDLALOSE	MESHACK	23124351	ACTIVE	20191231

14	NALOMO	XOLANI	28648633	ACTIVE	00000000
15	SEWNARAIN	SANJEEV	15878538	ACTIVE	20201204

## Risk

- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Inadequate reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If accounts of users who left the department are not terminated in a timely manner on the system; such accounts may be used by perpetrators to gain access to the system and process illegal/unauthorized activities.

## Internal control deficiency

### Financial and performance management: Design and implement formal controls over IT systems:

- Non-compliance to defined policies and procedures: there was no compliance to the ICT Business Systems User Access Policies and Procedures policy as process of review of user's access rights defined on page 11, par 8.6 was not implemented
- Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review of system controller's activities.
- Failure by management to ensure that the documentation of review of system controller's activities is adequately performed.
- Users who had left the department were not timely communicated by HR to the relevant process owners.

## Recommendation

Management should ensure that:

- User access rights on the systems should be reviewed and adequately documented, furthermore evidence of review should be retained for audit purposes.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- HR should communicate with the ICT department in time of any users who leave the department to ensure that the access controls that were put in place to safe guard the department are working as intended to.

## **Management response**

### **Management comment on the audit finding**

Management partially agrees with the findings.

Management does not agree to the first two bullet points on the audit findings due to below reasons;

- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. **Error! Hyperlink reference not valid.**
- The report provided to AG does show administrator activities for creating new user, reset of user password. This report is part of RFI 51. **Error! Hyperlink reference not valid.**

### **Root Cause:**

- In some instances, the list receives from HR did not contain the names of the officials as indicated in the audit finding. Indicated in yellow on the above table.
- Further investigation revealed that some WCS users who had their employment terminated by HR were still active on the system because they were reinstated as consultants or their contracts. In the population received from AG, 15 out of 25, indicated in green on the above table, belong to this category.

### **Management comment on internal control deficiencies:**

- There is a systems user access management policy which ICT has followed by sending reminders on monthly basis to line function to review user rights and access. On monthly basis HR sends a list of employees who have resigned from the Department to ICT to remove from systems. ICT removes the users as per line function and HR lists.
- Access to WCS is through a username and password, which expires as per the policy.
- WCS is only accessible through the Government SITA network.
- WCS has different user roles profiles for separation of duties.
- The above controls are put in place to minimise impact in attempts of unauthorised access

### **Management comment on recommendation:**

- ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51.
- Regular reviews and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system are conducted and evidence of review is available. The same evidence was provided to AG as part of RFI 51
- ICT to improve communication and streamline process between ICT directorates and HR to be developed.

### **Remedial action:**

- remove the users identified in the AG report as having terminated their services with DPWI.
- Streamline HR and ICT processes

What actions will be taken?	By whom?	By when?
<ul style="list-style-type: none"> <li>Remove users identified in the AG report which have resigned from DPWI.</li> <li>Streamline HR and ICT processes</li> <li>Reconcile Persal, List of resigned employees from HR and system users on quarterly basis using data analytics</li> <li>In collaboration with IA to conduct a review in Q3</li> <li>In collaboration with HR on developing an electronic form that will be used to notify the sys admins of users exiting DPWI</li> </ul>	<ul style="list-style-type: none"> <li>Kathu Nekhumbe</li> </ul>	<ul style="list-style-type: none"> <li>15 June 2021</li> <li>31 August 2021</li> <li>31 January 2022</li> <li>31 March 2022</li> </ul>

No	SURNAME	FIRST NAMES	PERSALNO	USER STATUS	RESIGNATION_DATE
1	LANGHANS	RUDOLF	13365321	ACTIVE	20201231, To be deactivated
2	PUREN	MAUREEN	13365754	ACTIVE	20200831, To be deactivated
3	STEYN	KARIN	13388428	ACTIVE	20201231, To be deactivated
4	NEL	PETER	13376080	ACTIVE	20201031, To be deactivated
5	VAN DEN BERG	THEO	13371142	ACTIVE	20201231, Was Active as at 31 March 2021
6	PITSE	DAMARIS	13410873	ACTIVE	20200831, To be deactivated
7	VELDSMAN	BRIAN	19483813	ACTIVE	20201204, To be deactivated
8	MANAGA	AZWIDIVHIWI	19104871	ACTIVE	20200831, To be deactivated
9	NGWENYAMA	NOMSA	82213046	ACTIVE	20200831, To be deactivated
10	MAMAREGANE	MONYEPAO	27159957	ACTIVE	20201231, To be deactivated
11	DYOSI	ABULELE	27816168	ACTIVE	20200630, Was not there on the spreadsheet for June 2020 Exits
12	NGOZI	KUNGEZA	27816672	ACTIVE	20200630, Was not there on the spreadsheet for June 2020 Exits
13	MDLALOSE	MESHACK	23124351	ACTIVE	20191231, , To be deactivated
14	NALOMO	XOLANI	28648633	ACTIVE	00000000, Was Active as at 31 March 2021
15	SEWNARAIN	SANJEEV	15878538	ACTIVE	20201204, Was Active as at 31 March 2021

## **Auditor's conclusion**

- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- Document/program which provides description of the system controllers activities on the reports was not provided, thus the finding remains
- Management responses relating to terminated users are noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.
- Appointment letters for the following reinstated employees was requested, however no evidence of such was provided for audit purpose:
  - NALOMO
  - SEWNARAIN
  - VAN DEN BERG

## **1.2 Inadequate implementation of user access management controls around WORX4U system**

Deficiencies relating to the administration of user access controls on the WORX4U system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, password configurations, amendments of user access, duplicate user ID's:

### **Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the WORX4U system:

- The ICT Business Systems User Access Policies and Procedures refers to the process of access modification on page 8, paragraph 8.2 that "All changes/updates of user information/profile must be approved by line manager or director of the unit on the request form or by writing a letter/email ". However, system generated list of users who had their access modified during the period under review was not provided, consequently we were unable to assess whether access modification was formally requested and approved prior to modifications being done by the system controller.
- The ICT Business Systems User Access Policies and Procedures refers to the process of password reset on page 8, paragraph 8.2, however testing of password resets on WORX4U could not be assessed as the system generated list of all password resets performed during the period under review could not be obtained due to system limitation.
- Cognizance was taken of the fact that ICT Application Management division reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- Process of review to monitor activities performed by the system administrator (such as user creation, user ID maintenance, allocation of functions and deletion of user

accounts.) on the system was not performed due to system limitation, the system does not record any activities performed by the system administrator.

- The was a generic account which was not renamed and linked to a specific user for accountability purposes. The details of the generic account are listed on the table below:

Username	Name	Captured date	Status
admin	Admin	1900/01/02	Active

- Reviews to monitor access violations and logon violations were not performed due to system limitation, the system does not record any failed login attempt.
- WORX4U users who had their employment terminated by HR were still active on the system. The details of the accounts are listed in the table below:
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that “As soon as an employee leaves the department, all his/her system logons must be revoked/terminated. However, WORX4U users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and thirty-eight (38) users were identified, in the current year six-teen (16) users were identified to be active on the system. The details of the accounts are listed in the table below:

No	Name	Username	Persal No	Resignation Date
1	nico.fourie@dpw.gov.za	Nico Fourie (CPT: Finance)	10176969	20200531
2	Judy.Smith@dpw.gov.za	Judy Smith (CPT: UDM)	13370367	20200930
3	David.Mendelovish@dpw.gov.za	David Mendelovish (TM Elec-CWM) PTA	13378252	20200630
4	jerry.eksteen@dpw.gov.za	Jerry Eksteen (CPT: Helpdesk)	13385445	20200430
5	Karin.Steyn@dpw.gov.za	Karin Steyn (BLF)	13388428	20201231
6	Kholofelo.Matlou@dpw.gov.za	Kholofelo Matlou (PTA: IT)	13393693	20200430
7	Bongeka.Dlamini@dpw.gov.za	Bongeka Dlamini (DBN)	14700310	20200531
8	Alpheus.Thulare@dpw.gov.za	Alpheus Thulare (JHB)	16819195	20200531
9	Janice.Jacobs@dpw.gov.za	Janice Jacobs	24967793	20200531
10	Nondumiso.Ngema@dpw.gov.za	Nondumiso Ngema (JHB)	28656661	20200430
11	george.kraemer@dpw.gov.za	George Kraemer (CPT: FM)	62044915	20200531
12	lungisa.nxumalo@dpw.gov.za	Lungisa Nxumalo	63677644	20200630
13	Andiswa.Mapapu@dpw.gov.za	Andiswa Mapapu (PE: Procurement)	27151484	20200331
14	Rachel.Baloyi@dpw.gov.za	Rachel Baloyi (Finance Payments) PTA	83697578	20191231
15	Dimakatso.Shai@dpw.gov.za	Dimakatso Shai	83722530	20200610
16	Skhumbuzo.Vilakazi@dpw.gov.za	Skhumbuzo Vilakazi	83795154	20200313

## Risks

- If functions granted to a specific user are not recorded on the system and authorised, this can result in users having access rights which are in excess of what is required to perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.
- Inadequate controls around the resetting of user passwords might result in unauthorised users being granted access to the system.
- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Lack of reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If user accounts are not linked to a specific user, it would make impossible to apportion accountability in the event that unauthorised or fraudulent transactions are processed. These could negatively impact data integrity of information systems.
- Without the monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

## Internal control deficiency

### Financial and performance management: Design and implement formal controls over IT systems:

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting.
- Non-compliance to defined policies and procedures: there was no compliance to the ICT Business Systems User Access Policies and Procedures policy as process of review of user's access rights defined on page 11, par 8.6 was not implemented
- The system does not record any activities performed by the system administrator, furthermore the system is in the process of being phased out through the implementation of Archibus.
- Management oversight in ensuring that user ids are renamed and linked to specific user.
- System limitation, the system is not recording any failed login attempt, furthermore the system is in the process of being phased out through the implementation of Archibus.
- Users who had left the department were not timely communicated and removed on the system.

## Recommendation

Management should ensure that:

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- That they review the list of user ids on the system to ensure that each user-id is linked to a specific user and that key system accounts are renamed so that they remain protected.
- Management should expedite the process of migrating to Archibus system furthermore verifications should be performed on the system to ensure that the controls on the system allows for /is conducive to effectively record of all the activities performed on the system e.g. the implementation of audit logs/ audit trails such as the list of new users created, list of password resets, list of amendment of functions, activities of system administrator, access and logon violation etc.
- IT management, in collaboration with HR, should ensure that terminated user's access is timely revoked from application systems once those terminated users have left the employment of the organisation.

### Management response

#### Management comment on the audit finding

- Management partially agrees with the finding.
- Management does not agree for the following reasons;
  - As indicated in the response of RFI 51, there were no requests by users to change role/profile for this system on the period under review hence a report could not be provided. **Error! Hyperlink reference not valid.**
  - As indicated in the response of RFI 51, there were no requests by users to reset password for this system on the period under review hence a report could not be provided. **Error! Hyperlink reference not valid.**
  - As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy must send out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. **Error! Hyperlink reference not valid.**
  - The Admin account is a system account that is assigned and managed by Mr. Mpho Mashia in ICT for purposes of system administration and management. **Error! Hyperlink reference not valid.**
- Root cause;
  - Due to system limitations this system does not record any activities performed by the system administrator. It must be noted that this system is in the process of being phased out through the implementation of Archibus. 10/11 regional offices have already migrated to Archibus as part of the phase out activity. Mthatha is the only region yet to migrate to Archibus and this is due to capacity issues

<p>in the region as there is no FM head in the region to play a critical role on the new Archibus FM module.</p> <ul style="list-style-type: none"> <li>○ Reviews to monitor access violations and logon violations were not performed due to system limitation, the system does not record any failed login attempt.</li> <li>○ WORX4U users who had their employment terminated by HR were still active on the system.</li> </ul>		
<b>Management comment on internal control deficiencies:</b>		
The currently available controls on the system are: <ul style="list-style-type: none"> <li>○ Business Systems User Access Management policy</li> <li>○ Registration of users which is approved by supervisors</li> <li>○ Username and passwords for access control</li> <li>○ Roles(capture, verifier and approver) for separation of duties</li> <li>○ The system is only accessible through the Government SITA network.</li> <li>○ The above controls are deemed sufficient to mitigate against unauthorised access.</li> </ul>		
<b>Management comment on recommendation:</b>		
<ul style="list-style-type: none"> <li>• This is already being managed as all user accounts on the system have are allocated to specific users. The renaming of the “Admin” key system account on this system will be assessed in terms of impact and the appropriate steps will be taken.</li> <li>• Migration is in progress and 10/11 regional offices have already migrated to Archibus as part of the phase out activity. Mthatha is the only region yet to migrate to Archibus and this is due to capacity issues in the region as there is no FM head in the region to play a critical role on the new Archibus FM module.</li> <li>• As part of the ICT Business Systems User Access Management policy, line managers must inform ICT when officials under their management exit the department in whatever format. Additionally ICT requests HR Exits list on monthly basis from HR use as reference in terminating users from systems. However ICT will add another process to be performed on quarterly basis whereby a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.</li> </ul>		
<b>Remedial action:</b>		
<b>What actions will be taken?</b> <ul style="list-style-type: none"> <li>• Remove all users which have exited DPWI</li> <li>• Finalise the migration of the outstanding region to Archibus Corrective Maintenance module</li> <li>• Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on</li> </ul>	<b>By whom?</b> <ul style="list-style-type: none"> <li>• ICT and FM</li> <li>• Mpho Mashia</li> </ul>	<b>By when?</b> <ul style="list-style-type: none"> <li>• Depends on when FM will finalise the appointment of an FM Head official in Mthatha region.</li> <li>• 31 March 2022</li> </ul>

all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.		
--	--	--

No	Name	Username	Persal No	Resignation Date
1	nico.fourie@dpw.gov.za	Nico Fourie (CPT: Finance)	10176969	20200531, To be deactivated
2	Judy.Smith@dpw.gov.za	Judy Smith (CPT: UDM)	13370367	20200930, To be deactivated
3	David.Mendelovish@dpw.gov.za	David Mendelovish (TM Elec-CWM) PTA	13378252	20200630, To be deactivated
4	jerry.eksteen@dpw.gov.za	Jerry Eksteen (CPT: Helpdesk)	13385445	20200430, To be deactivated
5	Karin.Steyn@dpw.gov.za	Karin Steyn (BLF)	13388428	20201231, To be deactivated
6	Kholofelo.Matlou@dpw.gov.za	Kholofelo Matlou (PTA: IT)	13393693	20200430, To be deactivated
7	Bongeka.Dlamini@dpw.gov.za	Bongeka Dlamini (DBN)	14700310	20200531, To be deactivated
8	Alpheus.Thulare@dpw.gov.za	Alpheus Thulare (JHB)	16819195	20200531, To be deactivated
9	Janice.Jacobs@dpw.gov.za	Janice Jacobs	24967793	20200531, To be deactivated
10	Nondumiso.Ngema@dpw.gov.za	Nondumiso Ngema (JHB)	28656661	20200430, To be deactivated
11	george.kraemer@dpw.gov.za	George Kraemer (CPT: FM)	62044915	20200531, To be deactivated
12	lungisa.nxumalo@dpw.gov.za	Lungisa Nxumalo	63677644	20200630, To be deactivated
13	Andiswa.Mapapu@dpw.gov.za	Andiswa Mapapu (PE: Procurement)	27151484	20200331, To be deactivated
14	Rachel.Baloyi@dpw.gov.za	Rachel Baloyi (Finance Payments) PTA	83697578	20191231, To be deactivated
15	Dimakatso.Shai@dpw.gov.za	Dimakatso Shai	83722530	20200610, To be deactivated
16	Skhumbuzo.Vilakazi@dpw.gov.za	Skhumbuzo Vilakazi	83795154	20200313, To be deactivated

### Auditor's conclusion

- We wish to confirm that system generated report indicating that there were no requests by users to change role/profile for the system was not provided for audit purpose, thus the finding remain.
- We wish to confirm that generated report indicating that there were no password resets performed on the system was not provided for audit purpose, thus the finding remains
- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- Management comments are noted. However, the account should be linked or assigned to the specific user, Use of generic user accounts makes it impossible to

apportion accountability in the event when unauthorised or fraudulent transactions are processed, thus the finding remains.

- Management responses relating to review of user access rights, system controller's activities and terminated user accounts are noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.

### **1.3 Inadequate implementation of user access management controls around SAGE X3 system**

Deficiencies relating to the administration of user access controls on the SAGE X3 system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

#### **Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the SAGE system:

- Although the control for monitoring and reviewing users' access rights was implemented and performed, however evidence of reviews performed to monitor user's access rights of the following provinces indicated below, to validate whether user's current access rights and privileges on the system are still in line with their job responsibilities were not provided for audit purpose.
  - Head office = Account receivable
  - Head office = Budget
  - Bloemfontein
  - Durban
  - Johannesburg
  - Mmabatho
  - Nelspruit
  - Port Elizabeth
  - Pretoria
- Although the control for monitoring and reviewing of system controller's activities was implemented and performed, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- Although the control for monitoring and reviewing of access and logon violation was implemented and performed, however the control was not adequately performed as the reports did not detail record of logon and access violations.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that "As soon as an employee leaves the department, all his/her system logons must be revoked/terminated." However, there were 12 SAGE X3 users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and five (5) users were identified, in the current year twelve (12) users were identified to be active on the system. The details of the accounts are listed in the table below:

No	Surname	Name	Active	Resignation Date
1	PITSE	DAMARIS	2	20200531
2	Fourie	Nico	2	20200531
3	Shai	Dimakatso	2	20200610
4	Mogoale	Montjane Clive	2	20201031
5	Mokgofa	Othusitse	2	20200531
6	Mabizela	Nonhlanhla	2	20200531
7	Ndlovu	Ntombi	2	20200430
8	Ramohlale	Mmapeu Annah	2	20200930
9	Makinana	Yamkela	2	20200605
10	Maxanjana	Mtokozisi	2	20200609
11	Ndamase	Ntombi	2	20200610
12	Yeko	Cinga	2	20200615

## Risk

- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Lack of reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- Inadequate monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

## Internal control deficiency

### Financial and performance management: Design and implement formal controls over IT systems:

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting.
- Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review system controller's activities and failed login violation
- Failure by management to ensure that reports used to review system controller's activities and failed login violation adequately detail activities performed by the system controller and failed logon violations on system.
- Users who had left the department were not timely communicated.

## Recommendation

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.

- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- Regular review and monitoring of access and logon violation audit trails which detail logon violations performed on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timely revoked from application systems once those terminated users have left the employment of the organisation.

### **Management response**

#### **Management comment on the audit finding**

Management partially agrees with the findings.

Management does not agree with the below findings;

- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy must send out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. **Error! Hyperlink reference not valid.**
- The report provided to AG includes all details included on the finding such as user creation, user ID maintenance, allocation of functions and deletion of user accounts as part of RFI 51. **Error! Hyperlink reference not valid.**

Root cause;

- SAGE X3 users who had their employment terminated by HR were still active on the system however through ICT analysis the dependency on HR Exits report alone is inadequate. ICT has found that some of the users (3 out of 12) indicated as being no longer part of the department may have been reinstated as consultants or their contracts extended hence they may not be part of Persal. Though we have found that 9/12 users' access should have been terminated on the system as well.

#### **Management comment on internal control deficiencies:**

The currently available controls on the system are:

- Business Systems User Access Management policy
- Registration of users which is approved by supervisors
- Username and passwords for access control from AD
- Roles(capture, verifier and approver) for separation of duties
- The above controls are deemed sufficient to mitigate against unauthorised access.
- 

#### **Management comment on recommendation:**

- All information requested was provided on time. This statement must be removed.

- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system are conducted and evidence of review is available.
- As part of the ICT Business Systems User Access Management policy, line managers must inform ICT when officials under their management exit the department in whatever format. Additionally ICT requests HR Exits list on monthly basis from HR use as reference in terminating users from systems. However ICT will add another process to be performed on quarterly basis whereby a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.

**Remedial action:**

What actions will be taken?	By whom?	By when?
<ul style="list-style-type: none"> <li>• Remove all users which have exited DPWI</li> <li>• Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.</li> </ul>	<ul style="list-style-type: none"> <li>• Mpho Mashia</li> </ul>	<ul style="list-style-type: none"> <li>• 15 June 2021</li> <li>• 31 August 2021</li> </ul>

No	Surname	Name	Active	Resignation Date
1	PITSE	DAMARIS	2	20200531, Was Active as at 31 March 2021
2	Fourie	Nico	2	20200531, To be deactivated
3	Shai	Dimakatso	2	20200610, To be deactivated
4	Mogoale	Montjane Clive	2	20201031, Was Active as at 31 March 2021
5	Mokgofa	Othusitse	2	20200531, To be deactivated
6	Mabizela	Nonhlahlha	2	20200531, To be deactivated
7	Ndlovu	Ntombi	2	20200430, Was Active as at 31 March 2021

8	Ramohlale	Mmapeu Annah	2	20200930, To be deactivated
9	Makinana	Yamkela	2	20200605, To be deactivated
10	Maxanjana	Mtokozisi	2	20200609, To be deactivated
11	Ndamase	Ntombi	2	20200610, To be deactivated
12	Yeko	Cinga	2	20200615, To be deactivated

### Auditor's conclusion

- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- We wish to confirm that system generated report indicating that there were no requests by users to change role/profile for the system was not provided for audit purpose, thus the finding remain.
- We wish to confirm that evidence of appointment letters for reinstated consultants was requested, however evidence was not provided for audit purpose, thus the exception remains

#### 1.4 Inadequate implementation of user access management controls around GIS system

Deficiencies relating to the administration of user access controls on the GIS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

### Audit finding

The following deficiencies were noted with regards to the administration of user access controls on the GIS system:

- The ICT Business Systems User Access Policies and Procedures refers to the process of access modification on page 8, paragraph 8.2 that "All changes/updates of user information/profile must be approved by line manager or director of the unit on the request form or by writing a letter/email " however testing of change of existing access/access modification on GIS could not be assessed as, the system generated list of all user access modifications performed during the period under review could not be obtained due to system limitation.
- The ICT Business Systems User Access Policies and Procedures refers to the process of password reset on page 8, paragraph 8.2, testing of password resets on GIS could not be assessed as the system generated list of all password resets performed during the period under review could not be obtained due to system limitation.
- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed

by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.

- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 12, Par 8.7 that “access management will institute a review of system administrator/controller activities at least twice a year, for any seriously suspicious behaviour or critical events must be assessed and acted on’ However reviews were not performed to monitor activities (such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.) that were performed by the system controller on the system.
- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 13, par 9 that “The best practice for access management will institute a review of system access violation at least four times a year, for any suspicious behaviour or critical events must be assessed and acted on.” However reviews were not performed to monitor access and logon violations on the system due to system limitation.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that “As soon as an employee leaves the department, all his/her system logons must be revoked/terminated. “However there were 6 GIS users who had their employment terminated by HR were still active on the system. This finding was raised in the 2019/20 audit period and one (1) user was identified, in the current year six (6) users were identified to be active on the system. The details of the accounts are listed in the table below:

No	USERNAME	FIRST_NAME	LAST_NAME	ACCOUNT_STATUS	RESIGNATION_DATE
1	NTOKOZO.NDLOVU	Ntokozo	Ndlovu	Active	20200430
2	MATSHIDISO.MOKOENA	Matshidiso	Mokoena	Active	20201130
3	TEBOHO.HAMOTSEO	Teboho	Hamotseo	Active	20201109
4	YANELISA.MEVA	Yanelisa	Meva	Active	20191231
5	RIRHANDZU.BALOYI	RIRHANDZU	BALOYI	Active	20191231
6	NOXOLO.NGEMA	Noxolo	Ngema	Active	20200430

## Risk

- If functions granted to a specific user are not recorded on the system and authorised, this can result in users having access rights which are in excess of what is required to perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.
- Inadequate controls around the resetting of user passwords might result in unauthorised users being granted access to the system.
- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.

- Lack of regular reviews of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- Without the monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.

### **Internal control deficiency**

#### **Financial and performance management: Design and implement formal controls over IT systems:**

- System generated list of users who had their access modified, password reset, audit trail which details activities performed by system controller and failed logon violations could not be obtained due to system limitation
- The GIS system has not resolved the 2019/20 findings. The department is in the process of strengthening the controls and processes on the system to ensure that the weaknesses are eradicated.
- Users who had left the department were not timely communicated and removed on the system.
- Management did not comply with their own process of removing of terminated users prescribe on page 10, par 8.4 of the policy.

### **Recommendation**

- Management should expedite the process of strengthening the controls on the system, furthermore verifications should be performed on the system to ensure that the controls on the system allows for /is conducive to effectively record of all the activities performed on the system e.g. the implementation of audit logs/ audit trails such as the list of amendment of functions, list of password resets, failed logon attempts and activities performed by the system controller.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation.

### **Management response**

#### **Management comment on the audit finding**

Management agrees with the findings. The service provider has already started with the implementation to align the user access management of the GIS solution with the departmental Security and Business System User Management policies.

#### **Management comment on internal control deficiencies:**

##### **The currently available controls on the system are:**

- **Business Systems User Access Management policy**
- **Registration of users which is approved by supervisors**
- **Username and passwords for access control**

	<ul style="list-style-type: none"> <li>○ <b>Roles(capture, verifier and approver) for separation of duties</b></li> <li>○ <b>The system is only accessible through the Government SITA network.</b></li> <li>○ <b>The above controls are deemed sufficient to mitigate against unauthorised access.</b></li> </ul>	
<b>Management comment on recommendation:</b> Management agrees.		
<b>Remedial action:</b> Enhance GIS system to align to the Security and Business System User Management policies		
<b>What actions will be taken?</b> <ul style="list-style-type: none"> <li>• Enhance GIS system to align to the Security and Business System User Management policies</li> </ul>	<b>By whom?</b> <ul style="list-style-type: none"> <li>• Khathu Nekhumbe</li> </ul>	<b>By when?</b> <ul style="list-style-type: none"> <li>• 31 December 2021</li> </ul>

### Auditor's conclusion

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.

### 1.5 Inadequate implementation of user access management controls around PMIS system

Deficiencies relating to the administration of user access controls on the PMIS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, duplicate user ID's:

#### Audit finding

The following deficiencies were noted with regards to the administration of user access controls on the PMIS system:

- List of users who requested password resets during the period under review was not provided due to system limitation, consequently we were unable to assess whether the controls around password resets was adequately implemented.
- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.

- The ICT Business Systems User Access Policies and Procedures refers to the process of review of system administrator/controller activities on Page 13, par 9 that “The best practice for access management will institute a review of system access violation at least four times a year, for any suspicious behaviour or critical events must be assessed and acted on.” However, reviews were not performed to monitor access and logon violations on the system due to system limitation.
- Although management committed to perform regular review of system administrator activities which was implemented, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- ICT Business Systems User Access Policies and Procedures refers to the process of removing users on page 10, par 8.4 that “As soon as an employee leaves the department, all his/her system logons must be revoked/terminated, however the following users who had their employment terminated by HR were still active on the system. The details of the accounts are listed in the table below:

No	User name	Status	Resignation date
1	NONTOBeko MKHIZE	Active	20200531
2	MMAPEU ANNAH RAMOHLALE	Active	20200930
3	BONGI IRENE DLAMINI	Active	20200510
4	RACHEL BALOYI	Active	20191231

## Risk

- Inadequate controls around the resetting of user passwords might result in unauthorised users being granted access to the system.
- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Without the monitoring of access and logon violations, it may be difficult to assess the effectiveness of the security controls. Attempts to breach security may remain undetected, enabling knowledge of security loopholes to be exploited for malicious purposes.
- Inadequate review of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If accounts of users who have left the department are not terminated in a timely manner on the system; such accounts may be used by perpetrators to gain access to the system and process illegal/unauthorized activities.

## Internal control deficiency

## **Financial and performance management: Design and implement formal controls over IT systems:**

- The system does not record password reset and access violations due to infrastructure related issues.
- Users who had left the department were not timely communicated and removed on the system.
- Management did not comply with their own process of removing of users as prescribe on page 10, par 8.4 of the policy.

### **Recommendation**

Management should ensure that:

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timeously revoked from application systems once those terminated users have left the employment of the organisation

### **Management response**

#### **Management comment on the audit finding**

Management partially agrees with the findings.

Management does not agree with the findings below based on the following reasons;

- Password resets are managed by SITA as indicated in the response on the RFI 51. **Error! Hyperlink reference not valid..**
- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only provide evidence of review if received from line managers. ICT as per the policy must send out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. **Error! Hyperlink reference not valid.**
- The process of monitoring access and logon violations is managed by SITA as indicated in the response on the RFI 51. **Error! Hyperlink reference not valid..**
- A report to show detailed Admin activities that also show where applicable information such as user creation, user ID maintenance, allocation of functions and deletion of user accounts was provided to the AG as part of RFI 51. **Error! Hyperlink reference not valid.**

Root cause;

<ul style="list-style-type: none"> <li>Users who had their employment terminated by HR were still active on the system.</li> </ul>						
<b>Management comment on internal control deficiencies:</b>						
<b>The currently available controls on the system are:</b>						
<ul style="list-style-type: none"> <li><b>Business Systems User Access Management policy</b></li> <li><b>Registration of users which is approved by supervisors</b></li> <li><b>Username and passwords for access control</b></li> <li><b>Roles(capture, verifier and approver) for separation of duties</b></li> <li><b>The system is only accessible through the Government SITA network.</b></li> <li><b>The above controls are deemed sufficient to mitigate against unauthorised access.</b></li> </ul>						
<b>Management comment on recommendation:</b>						
<ul style="list-style-type: none"> <li>•</li> </ul>						
<b>Remedial action:</b>						
<table border="1"> <thead> <tr> <th><b>What actions will be taken?</b></th> <th><b>By whom?</b></th> <th><b>By when?</b></th> </tr> </thead> <tbody> <tr> <td>Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.</td> <td>Mpho Mashia</td> <td>31 March 2022</td> </tr> </tbody> </table>	<b>What actions will be taken?</b>	<b>By whom?</b>	<b>By when?</b>	Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.	Mpho Mashia	31 March 2022
<b>What actions will be taken?</b>	<b>By whom?</b>	<b>By when?</b>				
Implement a process to be performed on quarterly basis where a reconciliation Exit report will be requested from HR to compare on all business systems where users that have exited are found can then be terminated on the systems. Also an improved communication and streamlined process between ICT directorates and HR to be developed.	Mpho Mashia	31 March 2022				

No	User name	Status	Resignation date
1	NONTOBeko MKHIZE	Active	20200531, To be deactivated
2	MMAPEU ANNAH RAMOHLALE	Active	20200930, To be deactivated
3	BONGI IRENE DLAMINI	Active	20200510, To be deactivated
4	RACHEL BALOYI	Active	20191231, To be deactivated

### Auditor's conclusion

Managements comments are noted; however, we wish to confirm that:

- System generated list of password reset and evidence of review of access and logon violation was not provided, thus the finding remains
- evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.

- Document/program which provides description of the system controllers activities on the reports was not provided, thus the finding remains
- Management response relating to terminate users was noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.

## **1.6 Inadequate implementation of user access management controls around ARCHIBUS system**

Deficiencies relating to the administration of user access controls on the ARCHIBUS system were raised since 2018-19 and although some aspects of user access management were remediated i.e documented and approved policy/procedures, user creation, amendments of user access, password reset, duplicate user ID's:

### **Audit finding**

The following deficiencies were noted with regards to the administration of user access controls on the ARCHIBUS system:

- Cognizance was taken of the fact that ICT Application Management reminds all the managers and supervisors to review active user profile reports to confirm if users have the correct profiles aligned to their roles, however evidence of the review performed by the managers and supervisors was not provided for audit purpose, thus assurance could not be provided on whether review were performed by the managers and supervisors.
- Although the control for monitoring and reviewing of system controller's activities was implemented and performed, however the control was not adequately performed as the reports did not detail admin activities performed by the system administrator such as user creation, user ID maintenance, allocation of functions and deletion of user accounts.
- There were users who had their employment terminated by HR were still active on the system. The details of the accounts are listed in the table below:

No	Name and Surname	Active	Resignation Date
1	DANIEL MAMAREGANE	YES	20201231
2	KOKETSO MANOK	YES	20201031
3	MAMMOKO MOFOKENG	YES	20200630
4	MATHILDA MALULEKA	YES	20200831
5	MDUDUZI ZWANE	YES	20201103
6	MONTJANE MOGOALE	YES	20201031
7	NONTOBeko MKHIZE	YES	20200510
8	SILINDILE CELE	YES	20200822
9	SOLLY SOLOMONS	YES	20200930
10	TEBOHO HAMOTSEO	YES	20201109
11	THOLAKELE DLAMINI	YES	20200722
12	TINYIKO NKUNA	YES	20201130

### **Risk**

- If functions granted to a specific user are not recorded on the system and authorised, this can result in users having access rights which are in excess of what is required to

perform their job responsibilities. This increases the chances of fraud being committed or unauthorised amendments being made.

- Failure to ensure that user access rights are regularly reviewed may lead to the inability to detect users that have inappropriate access rights, which may lead to the performance of functions that are not commensurate with those user's job functions, which may lead to unauthorised transactions compromising the integrity and availability of financial information.
- Inadequate review of system controller activities might result in unauthorised system activities such as creating of unauthorised user accounts, deleting or modifying information and unauthorised attempts to access the system may not be timely detected and resolved.
- If accounts of users who have left the department are not terminated in a timely manner on the system; such accounts may be used by perpetrators to gain access to the system and process illegal/unauthorized activities.

### **Internal control deficiency**

#### **Financial and performance management: Design and implement formal controls over IT systems:**

- Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support Information Systems Audit reporting
- Management oversight in determining the adequacy and level of detail required in the documentation of the reports used to review system controller's activities.
- Users who had left the department were not timely communicated and removed on the system.

### **Recommendation**

Management should ensure that:

- All information requested for audit purposes is submitted on time in line with the agreed turnaround times.
- Regular review and monitoring of system generated audit trails which detail activities of privileged user's / system controller on the system should be conducted and evidence of review should be retained for audit purposes.
- IT management, in collaboration with HR, should ensure that terminated user's access is timely revoked from application systems once those terminated users have left the employment of the organisation

### **Management response**

#### **Management comment on the audit finding**

Management does not agree with the findings:

- [Please see Annexure 7](#)
- As per ICT Business Systems User Access Management policy line managers must download the reports from the business systems and perform the user access review and submit such to ICT. ICT can only

provide evidence of review if received from line managers. ICT as per the policy sends out communication to line managers and evidence of communications as reminders to managers was submitted to AG as part of RFI 51. **Error! Hyperlink reference not valid.**

- Facilities Management note the audit finding. There are processes in place to ensure that there is effective management of user access to the FM Archibus Module. Currently the module does not allow for payment of calls on the system. There is segregation of responsibilities between role players and they cannot perform dual functions.
- The ICT Team have processes in place for user access inclusive of temporary substitution.
- The report provided to AG as part of RFI 51 response includes all details included on the finding such as user creation, user ID maintenance, allocation of functions and deletion of user accounts. **Error! Hyperlink reference not valid.**
- Through ICT Applications Management analysis the dependency on HR Exits report alone is inadequate. ICT has found that all the officials indicated as being no longer part of the department were not on the HR Exit lists received by ICT.

Root Cause: Archibus users who had their employment terminated by HR were still active on the system however through ICT analysis the dependency on HR Exits report alone is inadequate. ICT has found that all of the users, 12 of them, indicated as being no longer part of the department as per AG COFF 02 of 2021, however these officials were not part of the monthly reports being received from HR.

#### **Management comment on internal control deficiencies:**

The currently available controls on the system are:

- Business Systems User Access Management policy
- Registration of users which is approved by supervisors
- Username and passwords for access control via AD
- Roles(capture, verifier and approver) for separation of duties
- SSL Certificate on the website
- The above controls are deemed sufficient to mitigate against unauthorised access.
- The Facilities Management Branch note the initial control deficiencies. The FM Module has been live since November 2019, however, effective utilisation of the module has only commenced since October/November 2020.

#### **Management comment on recommendation:**

The Facilities Management Branch note the recommendations. There are processes in place to ensure user access rights are reviewed and documented. The ICT Team for audit purposes retains the requests.

#### **Remedial action:**

<b>What actions will be taken?</b>	<b>By whom?</b> Adv. Nishi Sharma (Facilities Management: Contract Management)	<b>By when?</b> 31 March 2022
------------------------------------	---	----------------------------------

	Khathutshelo Nekhumbe (Director: CT Applications)	
--	--	--

### **Auditor's conclusion**

- We wish to confirm that evidence of communication sent out to line managers as reminders to perform review of access rights does not provide assurance that the reviews were performed by the managers and supervisors, thus the finding remains.
- Document/program which provides description of the system controllers activities on the reports was not provided, thus the finding remains

## 2 CHANGE MANAGEMENT CONTROL

### 2.1 Inadequate implementation of change controls around PMIS, WCS, WORX4U, SAGE, GIS, ARCHIBUS

#### Audit finding

The following deficiencies were noted with regards to the administration of the change management process:

- Procedures around program change management were included on page 59 of an approved Consolidated Information and Communication Technology Policy. On Review of the approved policy it was noted that the policy was inadequately designed as it did not include the following:
  - Testing of changes
  - Migration of changes to production
- Although page 59, paragraph ix of the policy stated that "A Change Management Log must be maintained for all changes. The log must contain, but is not limited to; Date of submission and date of change, Owner and custodian contact information, Nature of the change and Indication of success or failure," however system generated logs of all changes implemented on PMIS, WCS, WORX4U, SAGE, GIS, ARCHIBUS during the period under review was not provided due to system limitation, thus assurance could not be provided on whether all changes implemented on systems followed a proper change management process (i.e. changes were formally requested, approved and tested prior implementation into production).

These findings were also reported on in the 2018-19 and 19/20 financial period

#### Risk

- Lack of adequately documented change management policy could lead to changes being implemented on critical IT systems without following an authorised process, thereby possibly compromising the integrity of the system and data.
- Without the change logs it would be difficult to trace if any changes were made on the system, by whom and why the changes were required/needed and whether the change were properly authorised by management.

#### Internal control deficiency

##### Financial and performance management: Design and implement formal controls over IT systems:

- Management oversight to include the key program change management procedures on the approved policy.
- System limitations on GIS, SAGE, PMIS, WORX4U and WCS resulted in the inability to obtain a system generated list of changes.

#### Recommendation

##### Management should ensure that:

- Change management procedure is updated to includes the following at minimum:
  - Testing of changes
  - Migration of changes to production
- Management should communicate their minimum security requirements on the system to the service providers and verifications should be performed by ICT to ensure that the controls on the system makes provision for activity logging, thus all changes made to the system should be logged preferably with the following details; change number,

change description and change implementer. Furthermore, management should ensure that a proper change management process is followed for all changes/upgrades prior implementation. Management should ensure that change request documentations are completed and approved and appropriate tests are implemented prior to migration into production.

### **Management response**

#### **Management comment on the audit finding**

Management partially agrees with the findings.

Management does not agree with the other part of the findings due to the following reasons;

- ICT has a change management process that is followed with every system change request as per ICT Policy change management process. The change requests do contain the information specified in the policy i.e. Date of submission and date of change, Owner and custodian contact information, Nature of the change. Also the policy does not indicate that the log specified is a system generated log. All changes that have been implemented are supported by an approved change request form that is detailed and contains all the information stated on the policy.

Root cause;

- The approved policy is inadequately designed as it does not include the following:
  - Testing of changes
  - Migration of changes to production

#### **Management comment on internal control deficiencies:**

The currently available controls on the system are:

- Business Systems User Access Management policy
- Change control protocol
- Registration of users which is approved by supervisors
- Username and passwords for access control
- Roles(capture, verifier and approver) for separation of duties
- Version control
- SSL certificates on the website

#### **Management comment on recommendation:**

Policy to be reviewed to include the indicated items

Systems changes are managed as per the ICT policy.

#### **Remedial action:**

Review policy

<b>What actions will be taken?</b>	<b>By whom?</b>	<b>By when?</b>
Review policy	Pakiso Mphuthi	31 December 2021

### **Auditor's conclusion**

Management responses are noted; however, the corrective actions agreed upon by management will be followed-up in the next audit cycle.

### 3 INFORMATION TECHNOLOGY CONTINUITY MANAGEMENT

#### Inadequate IT service continuity controls

Section 7.3.3.7. of the DPWI Annual Performance Plan (APP) states that the lack of a disaster recovery plan (DRP) has been a recurring audit finding. The department has now finalised and signed off a DRP plan and is in the process of implementing it.

#### Audit finding

As previously reported, the following deficiencies were noted with regard to the management and implementation of IT Service Continuity/ Disaster Recovery processes at the department:

- Although Disaster Recovery Plan (DRP) was developed and approved, it was noted that the DRP was not tested in the financial year under review.
- The backup processes were included on the ICT Policy document, however, the following procedures were not included:
  - Retention period Not addressed
  - Backup window (time available each day to complete backups)
  - Archival requirements
  - Special media considerations
- Backups were not performed during the 2020-21 financial year on EPWP and Reapatala systems; therefore, there were no restoration test and backups taken offsite.

These issues were reported in 2018-19 and 2019-2020 financial years.

#### Risk

Without a comprehensively documented, tested and regularly updated Disaster Recovery and Business Continuity Plan, it might not be possible to recover the key business operations, critical systems, applications, their supporting infrastructure or networking capability in the correct sequence and time, to ensure that the department's business operations could be sufficiently resumed at an alternative processing site without considerable loss to its financial well-being and negative impact of service delivery should a disaster occur.

#### Internal control deficiency

##### Financial and performance management: Formal controls over IT Systems

- Lack of consequence management for not resolving prior audit findings.
- There was no space on the drive for backups.

#### Recommendation

- Management should ensure that they implement the consequence management controls on lack of addressing the repeating findings.
- Management should ensure that the ICT Policy document is reviewed and the following procedures are included under Backup processes:
  - Retention period Not addressed
  - Backup window (time available each day to complete backups)
  - Archival requirements
  - Special media considerations
- Management should ensure that they purchase a backup software to perform and monitor backups, furthermore; the drive with enough space should be prioritised.

## **Management response**

<b>Management comment on audit findings:</b> Management agrees with finding Service provider on-board and currently implementing the DR solution. Root Cause: delays in the appointment of the service provider		
<b>Management comment on internal control deficiencies:</b> Currently available controls are: <ul style="list-style-type: none"><li>○ Security policy</li><li>○ Daily snapshots of the Virtual Machine</li></ul> Daily copying and remote storing (different VM) of the database to enable restore and recovery in case of a disaster		
<b>Management comment on recommendations:</b> <ul style="list-style-type: none"><li>• DR policy to be reviewed</li><li>• Software and hardware have already been purchased, awaiting delivery.</li></ul>		
<b>Remedial actions:</b>		
<b>What actions will be taken:</b> Finalise DR solution rollout	<b>By whom:</b> DD ICT Security	<b>By when:</b> 31 March 2022

## **Auditor's conclusions**

Management comments are noted and acknowledged. The action plans will be followed up during the 2021/22 audit and the outcome of the assessment will be communicated at completion of the audit.

## SECURITY MANAGEMENT

### 4.NETWORK SECURITY: INTERNAL VULNERABILITY ASSESSMENT

An internal vulnerability assessment was performed on the Department of Public Works' (DPW) network.

An excess of six hundred and seven (607) internal systems were detected and scanned for vulnerabilities. The systems included servers, switches, client machines and hosts amongst others. Eighty-three (83) of the identified hosts contained reportable vulnerabilities i.e. forty-two (42) had missing patches or were running unsupported software, and sixty-four (64) contained weak/vulnerable configurations. To exploit the identified vulnerabilities, an attacker would require access to the LAN, i.e. be inside a DPW and plugged into a network point via Ethernet cable or have access to a Wireless Access Point.

With this access, an attacker may exploit one of the identified vulnerabilities (note: exploits available freely online) that would primarily disrupt services provided by the affected hosts. Information disclosure exploits and default access vulnerabilities were also available, providing attackers with opportunities to attempt privileged access exploits. In certain cases, an attacker may be able to access one or more of the affected hosts without the need for credentials.

#### **4.1 Missing security updates and unsupported software on various systems**

##### **Audit finding**

A patch is software developed and released by a vendor with the intention of correcting flaws in the software or operating system. Patches may include resolutions to security vulnerabilities or fixes to a malfunctioning component of the software.

Forty-two (42) internal were either running unsupported software, operating systems and/or databases, or missing critical and/or high risk security updates with exploits available.

The issues detected included:

- a) Missing security updates on operating systems
- b) Unsupported operating system software
- c) Missing security updates on internetworking operating systems
- d) Unsupported or missing security updates on web enabling software
- e) Missing security updates on virtual software
- f) Missing security updates on remote server management software
- g) Unsupported or missing security updates on file sharing software

An attacker could use the enumerated vulnerabilities to cause unapproved/malicious activities within the confines of the network, directly/indirectly affecting critical business applications. Exploits (note: exploits available freely online) would primarily disrupt services provided by the affected systems. Information disclosure exploits and default access vulnerabilities were also detected. If used, attackers may successfully conduct privileged access attacks.

The following section details the vulnerabilities and their prevalence:

##### **a) Missing security updates on operating systems**

Twelve (12) systems were missing two (2) critical, one (1) high, and one (1) Medium Microsoft security patches.

Risk	Host	Name
------	------	------

Critical	10.132.112.205, dpwesbdev01.ndpw.local, ptacgofin02.ndpw.local, ptacgovcenter.ndpw.local	dpwcctnwsn.ndpw.local, ptacgodaddb.ndpw.local, ptacgopptrl.ndpw.local,	MS14-066
High	10.132.113.79, ptacgofin01.ndpw.local, ptacgopptrl.ndpw.local	dpwptaccad2.ndpw.local,	MS17-010
Critical	10.132.112.76, ptacgopptrl.ndpw.local	ptacgofin01.ndpw.local,	Microsoft RDP RCE (CVE-2019-0708)
Medium	dpwcctnwsn.ndpw.local, dpwesbdev01.ndpw.local, ptacgofin02.ndpw.local	dpwptaccad2.ndpw.local, dpwscsmms.ndpw.local, ptacgodaddb.ndpw.local, ptacgofin02.ndpw.local	MS16-047

These updates corrected multiple flaws within the underlying operating systems and unauthorised individuals or attackers on the internal network could attempt to leverage these vulnerabilities in an attempt to gain access to confidential information hosted on these systems or limit valid users access to these systems by causing these systems to continuously reboot.

#### (a) Missing security updates on operating systems

<b>Management comment on the audit finding:</b> Management agrees with the finding.		
<b>Remedial action:</b> The appropriate patches will be deployed.		
<b>What actions will be taken:</b> The patches will be downloaded and deployed accordingly.	<b>By whom:</b> Pakiso Mphuthi	<b>By when:</b> 31-07-2021

#### b) Unsupported operating system software

Fourteen (14) systems were running on numerous unsupported operating system software.

OS	Affected systems
Microsoft Windows 7	10.132.112.199, 10.132.112.201, 10.132.112.76, 10.132.113.7, 10.134.112.68, 10.134.113.131, 10.134.113.132
Microsoft Windows Server 2008	ptacgofin01.ndpw.local, ptacgopptrl.ndpw.local, ptacgow4u01.ndpw.local
Microsoft Windows 8	10.134.112.67
Linux Debian 7.0 Operating System	10.130.78.61, 10.130.78.67, 10.130.78.68

#### (b) Unsupported operating system software

<b>Management comment on the audit finding:</b> Management agrees with the finding.		
<b>Remedial action:</b> All devices will be upgraded to run Windows 10 and store room equipment will be upgraded before being loaned out.		
<b>What actions will be taken:</b>	<b>By whom:</b> Pakiso Mphuthi / Themba Sithebe / Lungelo Cishe	<b>By when:</b> 31/03/2022

A project will be initiated to upgrade all equipment / systems to Windows 10		
--	--	--

**c) Unsupported or missing security updates on internetworking operating systems**

One system was running on outdated version Cisco TelePresence Software and therefore affected by a command injection vulnerability in the CLI due to insufficient input validation. An authenticated, local attacker can exploit this by authenticating as an administrative level user within the restricted shell and submitting malicious input to a specific command, allowing the attacker to execute previously staged code from the underlying file system.

Affected system: 10.154.1.21

**(c) Unsupported or missing security updates on internetworking operating systems**

**Management comment on the audit finding:**

Management agree with the finding.

**Remedial action:**

{Please indicate actions to be taken to remediate the finding(s)} The Cisco project for 2021-2022 financial year will come with latest software

**What actions will be taken:**

The Cisco project will be implemented and will provide security updates.

**By whom:**

Dintheng Matlala

**By when:**

31/03/2022

**d) Unsupported or missing security updates on web enabling software**

Web servers facilitate connections between end-users and database servers for many web based business applications. If these systems are not appropriately secured, they could leak sensitive information located within the databases.

- i) One (1) system was running a CGI application hosted that is potentially prone to SQL injection attack. An attacker may be able to exploit this issue to bypass authentication, read confidential data, modify the remote database, or even take control of the remote operating system.

Affected system: 10.153.1.2

- ii) One (1) web server was hosting a Java application that is vulnerable. Elasticsearch versions prior to 1.6.1 are vulnerable to an attack that can result in remote code execution.

Affected system: dpwesbdev01.ndpw.local

- iii) One (1) webs server was running a PHP version that is affected by a remote code execution vulnerability. An error in the file 'sapi/cgi/cgi\_main.c' can allow a remote attacker to obtain PHP source code from the web server or to potentially execute arbitrary code. In vulnerable configurations, PHP treats certain query string parameters as command line arguments including switches such as '-s', '-d', and '-c'.

Affected system: 10.132.78.56

- iv) Two (2) web servers had vulnerable AJP connectors listening to the remote host. A remote, unauthenticated attacker could exploit this vulnerability to read web application files from a vulnerable server.

Affected systems: dpwesbdev01.ndpw.local; ptacgow4u01.ndpw.local

**(d) Unsupported or missing security updates on web enabling software.**

<b>Management comment on the audit finding:</b> Management agrees with the finding.		
<b>Remedial action:</b> (i) Server was decommissioned. (ii) Firmware / webserver will be upgraded (iii) Web servers issues were resolved in May 2021		
<b>What actions will be taken:</b>  (i) Server decommissioned (ii) Firmware/ webserver will be upgraded	<b>By whom:</b> Dintheng Matlala	<b>By when:</b> 31/03/2022

**e) Missing security updates on virtual software**

Fifteen (15) systems were running on unsupported versions of VMware ESXi. Lack of support implies that no new security patches will be released by the vendor. As a result, it is likely to contain security vulnerabilities.

Affected systems: 10.130.78.22, 10.130.78.78, 10.130.78.79, 10.130.78.80, 10.130.78.81, 10.130.78.82, 10.130.78.83, 10.130.78.84, 10.130.78.85, 10.130.78.86, 10.130.78.87, 10.130.78.88, 10.130.78.89, 10.134.78.87, 10.134.78.88

**(e) Missing security updates on virtual software**

<b>Management comment on the audit finding:</b> Management agrees with finding.		
<b>Remedial action:</b> Virtual software will be upgraded to the latest version.		
<b>What actions will be taken:</b> The virtual software project will address this issue.	<b>By whom:</b> Dintheng Matlala	<b>By when:</b> 31/03/2022

**f) Missing security updates on remote server management software**

One (1) system was running a version of Flexera FlexNet Publisher that was prior to 11.16.2 and therefore, affected by multiple vulnerabilities related to remote code execution and denial of service.

Affected system: ptaepwpgis.ndpw.local

**(f) Missing security updates on remote server management software**

<b>Management comment on the audit finding:</b> Management agrees with the finding.		
<b>Root cause:</b> ICT does not currently have a GIS specialist resource on the approved structure. Lack of software support services due to budget limitations.		
<b>Remedial action:</b> Run patch updates for the Flexera FlexNet Publisher.		
<b>What actions will be taken:</b> Run patch updates for the Flexera FlexNet Publisher.	<b>By whom:</b> Khathu Nekhumbe	<b>By when:</b> 31/03/2022

### **Internal control deficiency**

Inadequate patch management could be attributed to lack of regular system monitoring and non-compliance to patch management processes.

### **Recommendation**

Management should ensure that organisation comply with patch management processes and monitoring controls be implemented to ensure compliance to the policy. The roles and responsibilities to ensure that the ICT environment patch management is up-to-date, ICT vulnerability monitoring and detection tools that will allow enumeration of vulnerabilities within the environment are in-place and the ICT infrastructure is up-to-date with minimum security requirements to meet the business objectives, should be allocated to an Information Security Officer (ISO) to promote accountability and custodianship of Information Security programs undertaken by the entity.

ICT management should consider the following remedial actions:

- Ensure all systems are patched in accordance to the respective policies;
- Ensure the ICT risk register is updated with the acceptable patch related risks and the reasons for not patching specific systems;
- Should the decision be taken not to apply a particular security update, approval should be sought at a strategic level to accept the risk;
- Ensure all systems are patched in accordance to the respective policies;
- Developing a vulnerability management process to assess critical technologies on a continuous basis for vulnerabilities. Vulnerabilities that are identified should be prioritised based on system criticality and remediated in a timely manner (normally within 30 days). Compensating controls should be identified, that adequately protect the system against known exploits until the corresponding security patch can be loaded;
- End of life software should be placed in a secure environment isolated from other systems. Additional controls should be implemented to safeguard against potential exploits, as the vendor may no longer provide security patches for these technologies.

### **Management response**

<b>Management comment on the audit finding:</b> Management agrees with finding.
--

<b>Management comment on internal control deficiencies:</b> Management agrees with comment.		
<b>Management comment on recommendation:</b> Management agrees with recommendation but need clarity on end of life software being isolated from other systems.		
<b>Remedial action:</b> The process to address procedures/ processes has started.		
<b>What actions will be taken:</b> The process to develop the standard operating procedures.  The department will procure an asset management system for effective hardware end of life cycle.	<b>By whom:</b> Pakiso Mphuthi	<b>By when:</b> 31/03/2022

#### Auditor's conclusion

Management comments are required.

## 4.2 Insecure configurations on internal networked systems

### Audit finding

Sixty-four (64) internal systems (e.g. production servers, switches, routers, etc.) were vulnerable because of weak configuration settings.

- a) Open unencrypted ports
- b) Inadequately configured encryption
- c) Inadequately configured database
- d) Simple Network Management Protocol vulnerabilities
- e) Privilege passwords, password disclosure and unauthenticated access
- f) Inadequately configured file sharing software

An attacker may be able to use these vulnerabilities to access the affected systems, disrupt services provided by the affected systems or gather sensitive/ confidential information generated by the entity. In addition, an attacker may use the enumerated issues to conduct unapproved/ malicious activities in the confines of the network.

The following section details the vulnerabilities and their prevalence:

#### a) Open unencrypted ports

Nineteen (19) systems were affected by the remote Telnet server transmitting traffic in cleartext. The remote host is running a Telnet server over an unencrypted channel. Using Telnet over an unencrypted channel is not recommended as logins, passwords, and commands are transferred in cleartext. This allows a remote, man-in-the-middle attacker to eavesdrop on a Telnet session to obtain credentials or other sensitive information and to modify traffic exchanged between a client and server. SSH is preferred over Telnet since it protects credentials from eavesdropping and can tunnel additional data streams such as an X11 session.

Affected systems: 10.132.0.1, 10.132.10.2, 10.132.112.2, 10.132.48.2, 10.132.56.2, 10.132.78.56, 10.132.78.70, 10.132.80.2, 10.153.112.66, 10.154.1.21, 10.130.78.25, 10.130.78.54, 10.130.78.55, 10.130.78.70, 10.130.78.71, 10.130.78.72, 10.130.78.73, cgoesbprdapp01.ndpw.local, cgoesbprddb01.ndpw.local

### 1.2 INSECURE CONFIGURATIONS ON INTERNAL NETWORKED SYSTEMS

#### (a) Open unencrypted ports

##### Management comment on the audit finding:

Management agrees with the finding.

##### Remedial action:

All Telnet access will be blocked.

**What actions will be taken:**  
Block all Telnet access

**By whom:**  
Ramadimetse  
Security Engineer

**By when:**  
31/08/2022

#### b) Inadequately configured encryption

- i) One (1) system was offering an insecure cryptographic protocol. The remote SSH daemon supports connections made using the version 1.33 and/or 1.5 of the SSH protocol. These protocols are not completely cryptographically safe so they should not be used.

Affected system: 10.130.78.73

- ii) Thirty (30) systems were accepting connections encrypted using SSL 2.0 or SSL 3.0. An attacker can exploit these flaws to conduct man-in-the-middle attacks or to decrypt communications between the affected service and clients.

Affected system: 10.132.78.70, ptaepwpgis.ndpw.local, 10.153.96.7, 10.130.78.22, 10.130.78.70, 10.130.78.71, 10.130.78.78, 10.130.78.79, 10.130.78.80, 10.130.78.81, 10.130.78.82, 10.130.78.83, 10.130.78.84, 10.130.78.85, 10.130.78.88, cgointendadbdev.ndpw.local, dpwesbdev01.ndpw.local, dpwscsmdw.ndpw.local, dpwscsql.ndpw.local, ptacgoad.ndpw.local, ptacgoad2.ndpw.local, ptacgodaddb.ndpw.local, ptacgodc01.ndpw.local, ptacgodc02.ndpw.local, ptacgofin02.ndpw.local, ptacgosccmsec02.ndpw.local, 10.134.78.87, 10.134.78.88, dpwnipad.ndpw.local, ptanipavsvr.ndpw.local

#### **(b) Inadequately configured encryption**

<b>Management comment on the audit finding:</b> Management agrees with finding.		
<b>Remedial action:</b> Implement recommendation		
<b>What actions will be taken:</b> Implement recommendation.	<b>By whom:</b> Pakiso Mphuthi	<b>By when:</b> 31/03/2022

#### **c) Inadequately configured database**

One (1) system was susceptible to Oracle TNS Listener Remote Poisoning. It was possible to register with Oracle TNS listener. An attacker could exploit this issue to divert data from a legitimate database server or client to an attacker-specified system. Successful exploits will allow the attacker to manipulate database instances, potentially facilitating man-in-the-middle, session-hijacking, or denial of service attacks on a legitimate database server.

Affected system: dpwinvtrk01.ndpw.local

#### **(c) Inadequately configured database**

<b>Management comment on the audit finding:</b> Management Disagrees with the finding.		
<b>Remedial action:</b> There is no oracle installation on the mentioned Server.		
<b>What actions will be taken:</b> There is no oracle installation on the mentioned Server.	<b>By whom:</b> Pakiso Mphuthi	<b>By when:</b> 31/03/2022

#### d) Simple Network Management Protocol vulnerabilities

Simple Network Management Protocol (SNMP) is a network protocol that used to monitor the performance and statistical information of systems over the network and often contains detailed configuration information about the servers. SNMP if vulnerable could allow attackers to orchestrate denial-of-service attacks, service interruptions and total takeovers of network devices (buffer overflow).

Fifteen (15) systems used SNMP configured with the default “public” community strings. An attacker may use this information to gain more knowledge about the network hosts, or to change the configuration of the remote system (if the default community allows such modifications).

Affected systems: 10.132.78.56, 10.132.78.57, 10.132.78.58, 10.153.1.2, 10.153.112.66, 10.154.1.21, 10.130.78.31, 10.130.78.55, 10.130.78.57, 10.130.78.58, 10.130.78.59, 10.130.78.60, cgoesbprdapp01.ndpw.local, cgoesbprddb01.ndpw.local, sagex3appdev.ndpw.local

##### (d) Simple Management Network Protocol Vulnerabilities

<b>Management comment on the audit finding:</b> Management agrees with finding		
<b>Remedial action:</b> The systems will be configured with the private community strings.		
<b>What actions will be taken:</b> The systems will be configured with the private community strings.	<b>By whom:</b> Dintheng Matlala	<b>By when:</b> 31/08/2021

#### e) Privileged passwords, password disclosure and unauthenticated access

- i) The intelligent platform management interface (IPMI) provides the ability to monitor, reboot and reinstall a server. In essence, access to the IPMI effectively provides physical access to the host system.

Six (6) systems were running The Intelligent Platform Management Interface v2.0 (IPMI v2.0) protocol which is affected by an information disclosure vulnerability due to the support of RMCP+ Authenticated Key-Exchange Protocol (RAKP) authentication. A remote attacker can obtain password hash information for valid user accounts via the HMAC from a RAKP message 2 response from a BMC.

Affected systems: 10.130.78.61, 10.130.78.67, 10.130.78.68, dpwcgoddom02.ndpw.local, dpwtfssvr.ndpw.local, ptacgosagedev.ndpw.local

- ii) Two (2) host on the Java JMX Agent was configured without SSL client and password authentication. An unauthenticated, remote attacker can connect to the JMX agent and monitor and manage the Java application that has enabled the agent.

Affected system: dpwesbdev01.ndpw.local, dpwsilktest.ndpw.local

#### (e) Privileged passwords, passwords disclosures and unauthenticated access.

**Management comment on the audit finding:**

Management agrees with finding.

However it must be noted that;

- Access to the servers is through a username and password, which expires as per the policy.
- Silk server is only accessible through the Government SITA network.
- The Sage server is a development server and as such does not contain critical information. Also the server is only accessible internally.
- The dpwesbdev01 is a development server and as such does not contain critical information

The above controls are put in place to minimise impact in attempts of unauthorised access.

**Remedial action:**

- (i) Firmware upgrade will be done.
- (ii) The servers (dev01) and the silktest server to be configured appropriately.

<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>
(i) Firmware upgrade will be done (ii) The silk test system will be configured appropriately.	Pakiso Mphuti and Khathu Nekhumbe	(i) 31/03/2022 (ii) 31/08/2021

**f) Inadequately configured file sharing software**

One (1) Windows system was susceptible to the presence of DOUBLEPULSAR. DOUBLEPULSAR is one of multiple Equation Group SMB implants and backdoors disclosed on 2017/04/14 by a group known as the Shadow Brokers. The implant allows an unauthenticated, remote attacker to use SMB as a covert channel to exfiltrate data, launch remote commands, or execute arbitrary code. EternalRocks is a worm that propagates by utilizing DOUBLEPULSAR.

Affected systems: ptacgofin01.ndpw.local

**(f) Inadequately configured file sharing software****Management comment on the audit finding:**

Management disagrees with finding.

**Remedial action:**

Server was decommissioned in 2020.

<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>
Server was decommissioned.		

**Internal control deficiency**

Weaknesses identified could be attributed to lack of system monitoring, which might have resulted in management not being aware when system are misconfigured.

**Recommendation**

Management should ensure that monitoring control be put in place to identify and rectify these issues in time. The roles and responsibilities to ensure that a baseline standard per system type (i.e. for operating systems, databases, switches, routers, firewalls) to detail the minimum security needed when configuring a system is developed, ICT vulnerability monitoring and

detection tools that will allow enumeration of vulnerabilities within the environment are in-place and the ICT infrastructure is up-to-date with minimum security requirements to meet the business objectives should be allocated to an Information Security Officer (ISO) to promote accountability and custodianship of Information Security programs undertaken by the entity.

ICT management should consider the following remedial actions:

- Developing a process for hardware lifecycles to be tracked and that allows hardware to be renewed when it is at end-of-life (EOL);
- Developing baseline standards per system type (i.e. for operating systems, databases, switches, routers, firewalls) to detail the minimum security needed when configuring the system; and
- Procuring a tool that will allow enumeration of vulnerabilities within the environment.

### Management response

<b>Management comment on the audit finding:</b> Management agrees with finding.		
<b>Management comment on internal control deficiencies:</b> Management agrees		
<b>Management comment on recommendation:</b> Management agrees		
<b>Remedial action:</b> A comprehensive asset management system will be procured and processes developed for EOL.		
<b>What actions will be taken:</b> Asset management system that monitors from cradle to grave process will be part of the asset management system that will be procured.	<b>By whom:</b> Pakiso Mphuthi	<b>By when:</b> 31/06/2022

### Auditor's conclusion

Management comments are required.

The following were noted from the COFF

1. There are a number of servers that were decommissioned but still appear on the report because they were picked up by the assessment. They are all listed below:
  - (i) dpwesbdev01.ndpw.local,
  - (ii) ptacgopptr.ndpw.local
  - (iii) ptacgofin01.ndpw.local
  - (iv) ptacgopptr.ndpw.local
  - (v) dpwesbdev01.ndpw.local

## NETWORK SECURITY: OPERATING SYSTEM AND DATABASE

### 4.3 Inadequately configured Windows operating system for SAGE

#### Audit finding

The security and configuration settings of the Windows operating system server for SAGE were either inadequate or not configured, which gave rise to the following weaknesses:

- a) The built-in administrator account has not been changed / renamed

It was found that the default administrator account has not been renamed / changed. The built-in administrator account is a well-known account subject to attack.

Since the Administrator account has not been configured to be locked out, regardless of how many times an attacker might use a bad password, this capability makes the Administrator account a popular target for brute force attacks that attempt to guess passwords. Renaming this account to an unidentified name improves the protection of this account and the system.

#### Internal control deficiency

##### Financial and performance management

Inadequate implementation or configuration of the Windows operating system could be attributed to the non-compliance to, or lack therefore of, the Configuration Standard for Operating System Security.

#### Recommendation

Management should ensure that the Information security hardening standards for operating system are updated, approved and implemented. In addition, monitoring controls should be implemented to ensure compliance to the standards.

Management should consider adopting the following measures in order to ensure that the weaknesses identified are addressed: Rename "administrator" account to another name other than "Administrator",

#### Management response

<b>Management comment on audit finding:</b>
---

I am in agreement with this finding

<b>Management comment on internal control deficiencies:</b>
---

I am in agreement with this finding

<b>Management comment on recommendation:</b>
--

I am in agreement with this finding

<b>Remedial action:</b> Administrator account is renamed on all Sage servers
--

<b>What actions will be taken:</b>	<b>By whom:</b>	<b>By when:</b>
------------------------------------	-----------------	-----------------

Administrator account is renamed.

Grace Makgatho

.21 July 2021

#### Auditor's conclusion

Management comments are required.

## **4.4 Inadequately configured SQL database for SAGE**

### **Audit finding**

SQL Server is capable of providing a wide range of features and services. Some of the features and services, provided by default, may not be necessary to support essential operations, and enabling them could adversely affect the security of the system. It is detrimental for SQL server to provide, or install by default, functionality exceeding requirements or mission objectives. SQL servers must adhere to the principles of least functionality by providing only essential capabilities.

The following issues on SAGE SQL database server at DPW were identified:

#### **a) The built-in default accounts have not been changed / renamed**

As previously reported it was found that the following default account have not been renamed/disabled:

- sa

These built-in default accounts are well-known accounts and as such are subject to attack. This makes these accounts a popular target for brute force attacks that attempt to guess passwords. Renaming, and or disabling, these accounts to an unidentified name improves the protection of these account and the system.

#### **b) Insecure remote access configuration was enabled on the database**

As previously reported it was found that the Remote Access' Server Configuration Option on SAGE SQL database has been enabled (i.e. was set to '1'). SQL Server may issue additional external processes to execute procedures that are defined in the SQL Server but stored in external host files (external procedures). The issued process used to execute the external procedure may operate within a different OS security context than SQL Server and provide unauthorized access to the host system. The remote access option controls the execution of local stored procedures on remote servers or remote stored procedures on local server.

However, this functionality can be abused to launch a Denial-of-Service (DoS) attack on remote servers by off-loading query processing to a target.

#### **c) Insecure authentication mode was enabled on the database**

It was found that the Authentication mode on SAGE SQL database was set to 'Mixed Authentication Mode' (i.e. both SQL server and Windows authentication mode was being used).

Although mixed authentication is easy to use, it lacks account-lockout capabilities and can expose system to attack through SQL Server's vulnerable and often mismanaged sa account. In mixed-authentication mode, SQL Server doesn't lock out users after a specified number of incorrect login attempts. Thus, an attacker can use a password-cracking tool to discover the sa account password.

#### **d) Insecure CRL was enabled on the database**

It was found that the CLR Enabled Server Configuration Option on SAGE SQL database has been enabled (i.e. was set to '1'). The common language runtime (CLR) component of the .NET Framework for Microsoft Windows in SQL Server allows you to write stored procedures, triggers, user-defined types, user-defined functions, user-defined aggregates, and streaming table-valued functions, using any .NET Framework language, including Microsoft Visual Basic .NET and Microsoft Visual C#. CLR packing assemblies can access resources protected by .NET Code Access Security when it runs managed code.

Enabling use of CLR assemblies widens the attack surface of SQL Server and puts it at risk from both unintentional and malicious assemblies. In addition, assemblies with EXTERNAL\_ACCESS or UNSAFE permission sets can be used to access sensitive areas of the operating system, steal and/or transmit data and alter the state and other protection measures of the underlying Windows Operating System. Specifying UNSAFE enables the code in the assembly complete freedom to perform operations in the SQL Server process space that can potentially compromise the robustness of SQL Server. UNSAFE assemblies can also potentially subvert the security system of either SQL Server or the common language runtime.

### **Internal control deficiency**

#### **Financial and performance management:**

Weaknesses identified on SAGE SQL database server could be attributed to non-conformance to, or lack therefore of, the Configuration Standard for Database Security.

### **Recommendation**

Management should ensure that the Information security hardening standards for database are updated, approved and implemented. In addition, monitoring controls should be implemented to ensure compliance to the database standards.

Management should consider adopting the following measures in order to ensure that the weaknesses identified are addressed:

- a) Rename "Administrator", SA and Guest account to a name other than "Administrator".
- b) Set 'CHECK\_POLICY' and CHECK\_EXPIRATION' options to 'ON' or '1' for All SQL Authenticated Logins,
- c) Restrict 'Remote Access' to authorized users / accounts or disable it when not required - unless specifically required and approved (i.e. there is a valid business reason for this feature),
- d) Disable Mixed authentication mode and use instead Windows authentication mode,
- e) Disable or restrict CRL code to only the SAFE or EXTERNAL\_ACCESS permissions, preferably the SAFE permission.

### **Management response**

#### **Management comment on audit finding:**

I do not agree with this finding

#### **Root Cause:**

- Except for the sa account all other identified accounts are system accounts that allow other programs dependent on the database to function.
- The identified accounts can't be allowed to expire as that would impact system/services availability of programs linked to the accounts.
- For embedded programs also the Service provider has highlighted that it is not advisable to change such accounts configurations to ensure alignment to Check\_Policy as it may impact some functionality of the system and dependent programs.
- Sage solution uses Microsoft Visual C# and the .Net Framework hence CRL code must be allowed.
- Mixed mode authentication is a required configuration for Sage solution and thus may not be disabled.
- Sage application, reporting tool and ESB tool are solutions are require remote access to the database.

**Management comment on internal control deficiencies:**

- The Sage database server is only accessible through the Government Vodacom network.
- The Sage server is not publicly accessible.
- For embedded programs also the Service provider has highlighted that it is not advisable to change such accounts configurations to ensure alignment to Check\_Policy as it may impact some functionality of the system and dependent programs.
- Sage solution uses Microsoft Visual C# and the .Net Framework.
- Only specific users have access to the server.
- Proactively detect intruders (enterprise security solution)

The above controls are put in place to minimise impact in attempts of unauthorised access and to strengthen security.

**Management comment on recommendation:**

- a) SA account has already been disabled.
- b) Sage is an off the shelf solution and the identified accounts are system accounts and changing their configuration may affect system functionality.
- c) Remote access is required to enable solutions hosted on separate servers to function.
- d) Mixed mode authentication is a required configuration for Sage solutions,
- e) Sage solution uses Microsoft Visual C# and the .Net Framework.

**Remedial action:**

What actions will be taken:	By whom:	By when:

**Auditor's conclusion**

Management comments are required.