



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

Property Management Trading Entity

31 March 2021

Communicated to the accounting officer on: 15 September 2021





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MANAGEMENT REPORT

Property Management Trading Entity

31 March 2021

Discussed with the accounting officer on: 31 August 2021

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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE PROPERTY MANAGEMENT TRADING ENTITY FOR THE YEAR ENDED 31 MARCH 2021

INTRODUCTION






1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer and to provide a summary of the material irregularities and suspected material irregularities of which the accounting officer was notified. The report does not constitute public information.

The management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 31 March 2021. These findings were communicated to management and this report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.

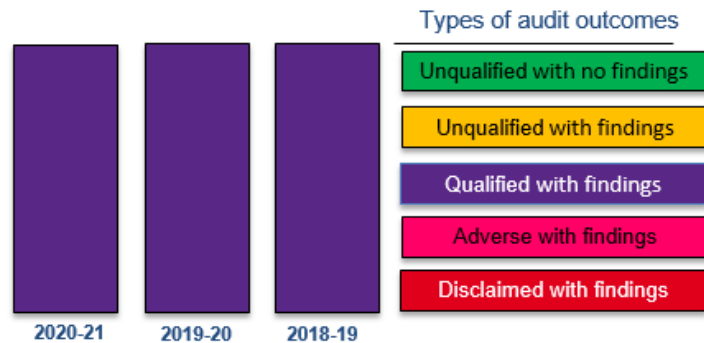
2. In accordance with the terms of engagement, our responsibility in this regard is to:
 - express an opinion on the financial statements
 - express an opinion in the management report on the usefulness and reliability of the reported performance information for selected programmes, and report the material findings in the auditor's report
 - report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)
 - Notify the accounting officer of any material irregularity or suspected material irregularities identified during the audit, and report on it in the auditor's report.
3. Our engagement letter sets out our responsibilities and those of the accounting officer in detail.
4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. The **figure** that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes with the focus on the following:
 - Status of the audit outcomes
 - Status of the level of assurance provided by key role players
 - Status of the drivers of internal controls

- Status of risk areas
- Root causes to be addressed/Best practices that should be maintained

7. Movement from the previous year is depicted as follows:

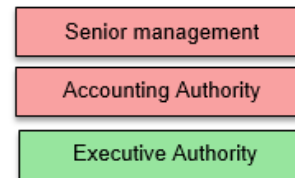
-  Improved
-    Unchanged / slight improvement / slight regression
-  Regressed

Stagnation in audit outcomes

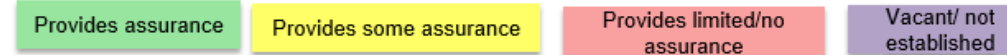
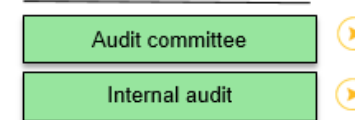


Assurance levels

First level of assurance



Second level of assurance



1

To improve/maintain the **audit outcomes** ...

2

... the key role players need to **assure** that ...

5

... the **root causes** are addressed ...

4

... the **risk areas** and ...

3

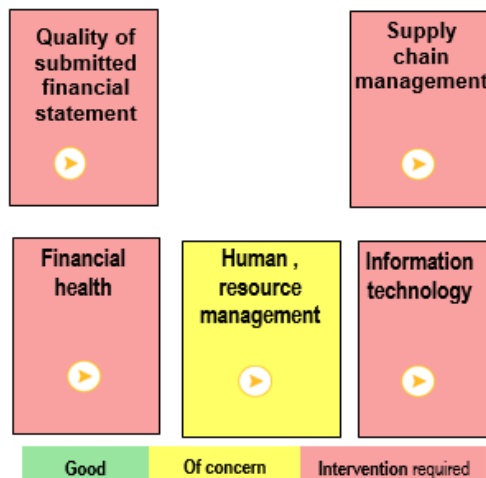
... attention is given to the **key controls** and ...

... the **best practices** are maintained.

Best practices should be maintained

1. Lack of proper review processes over annual financial statements
2. Slow response by management in implementing action plans
3. IT controls not adequately designed or implemented to enable an effective IT control environment

Risk areas

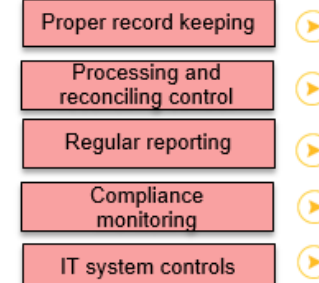


Status of drivers of internal controls

Leadership



Financial and performance management



Governance



OVERALL MESSAGE

8. The audit outcome of the entity has remained unchanged in the current period, with the entity obtaining a qualified audit outcome with findings on other areas. Material misstatements in the **annual financial statements** were identified with respect to receivables from exchange transactions and payables from exchange transactions, which formed the basis for the qualified audit outcome. The stagnation in audit outcome can mainly be attributed to lack of effective implementation of the audit action plans agreed upon in the prior year.
9. A major improvement was noted on the property, plant and equipment in respect of the valuation of immovable assets register which had been a contributing factor in the qualification of the entity for the past 4 years. Management was able to finally resolve the extent issues (property size) where the extent of properties included on the Immovable assets register (IAR) differed from the supporting documents. Another improvement was noted in relation to the classification of assets under construction, as the qualification relating to this component was resolved in the current financial year. However, misstatements were identified in the current financial year where the trading entity used incorrect rates in calculating the value of land. Furthermore, misstatements were noted on the on the recognition of assets for which the proof of ownership were not retained to confirm that the assets belong to the trading entity. Management on the resubmission of the immovable assets register (IAR) subsequently resolved these misstatements. While resolving the long-standing material misstatements on immovable assets is highly commendable, it will be critical that preventative controls are enhanced and implementation and monitoring of action plans be intensified to reduce over-reliance on the audit process to identify misstatements that should be corrected as well as ensuring that the trading entity does not regress in the following years.
10. Material misstatements relating to operating leases remained unresolved in the current year. A number of existing leases were not correctly captured on Archibus system, which resulted in numerous misstatements on recorded lease transactions, account balances and disclosure items. One of the root causes for these errors is that concluded lease agreements by Real Estate Management Services (REMS) were not sent timely to the regional offices to be captured on Archibus system. Consequently, overpayments were made to landlords due to payments being processed on old lease agreements, which were at higher rental costs. In addition, management did not use the correct schedule for lease commitments to form a basis of disclosure which resulted in amounts disclosed on the annual financial statements (AFS) not agreeing to the amounts on the supporting schedules submitted for audit.
11. However, when accumulating the material misstatements noted above with respect to operating lease expense, revenue from exchange transactions – Leasehold intergovernmental and commitments the overall impact resulted in a net misstatement that was considered to not have a material impact on the amounts disclosed on the face of the AFS. These is due to the fact that all these components had numerous material over statements and under statements which net off and came to a lesser overall misstatements. Notwithstanding the above, the misstatements identified on Trade and other receivables from exchange as well as Trade and other payables-accrued leases resulted in material misstatement which lead to the entity being qualified on the financial statements. It is recommended that the accounting officer prioritise the design and



implementation of intensified actions that will not only address accounting related misstatements but will also strive to curb the continuous numerous overpayments that are made in this area.

12. In addition, material adjustments were made in relation to receivables from exchange transactions: municipal services. This was due to insufficient review of the financial statements and the related supporting schedule prior to submission for audit. This resulted in the supporting schedule not reconciling to the amount disclosed on the AFS. Arithmetic errors were noted on the supporting schedules in respect to the calculation of the impairment provision. Furthermore, inadequate disclosure of a sub-balance within the municipal services has resulted in the overall balance being misstated due to incorrect classification.
13. Furthermore, in relation to the financial statements, material misstatements related to irregular expenditure where numerous instances of irregular expenditure was not initially disclosed in the financial statements that were submitted for the audit. This resulted in material adjustment on the irregular expenditure disclosure note which had to be made. Majority of these instances were attributed to investigations conducted by the Governance and Risk Unit and concluded in the current financial period where the resultant irregular expenditure was not reported even though non-compliances were identified. In addition, the SIU reports with recommendation on transactions concluded to be irregular expenditure were not considered on the irregular expenditure note. Furthermore, irregular expenditure identified by auditors, which were disclosed as “under assessment”, or “determination” in the previous year’s annual financial statements were not investigated and finalised as per the irregular expenditure framework. This resulted in the understatement of the irregular expenditure note and further negatively reflect as slow response by senior management and the accounting officer to enable consequence management.
14. Lastly, material misstatements were identified which management subsequently corrected in relation to incomplete fruitless and wasteful expenditure. Overpayments of leases which were subsequently impaired for, was not disclosed as fruitless and wasteful expenditure. In addition, management overstated contingent assets by disclosing items that did not meet the criteria for contingent assets. This resulted from the application of a policy which significantly differed from the creterias of GRAP 19. Moreover, not all related party transactions that are not at arms length were disclosed by the trading entity. This resulted in related party disclosure being materially misstated by an unquantified amount.
15. In relation to compliance with laws and regulations, an improvement was noted with respect to payments made within 30 days, however other numerous non compliances with laws and regulations were noted. In certain instances these resulted in instances of irregular expenditure, fruitless and wasteful expenditure being identified by the auditors. Overpayments made to landlords in terms of private leased properties continued in the current year as management made payments on old lease agreements which were at a higher rental fees while the trading entity already entered into new lease agreements which should have been used to process payments. This is an indication that measures to ensure only necessary payments are made in relation to leases are yet to be put in place. It is further concerning that effective steps to recover all the overpayments do not seem to be working. Instead, in the current year, the trading entity has impaired some of these overpayments which then questions the effectiveness of steps taken to recover the monies owed to the trading entity particularly in relation to overpayments. Moreover, poor monitoring of infrastructure projects has seen the trading entity making financial losses due to the dilapidated

significant assets which were not appropriately safeguarded resulting in erosion of critical assets, i.e boilers eroded on the Leeukop prison project.

16. In the current year, the entity's annual performance information has been reported in the Department of Public Works and Infrastructure as one annual performance report and strategic plan were combined. Therefore, the usefulness and reliability of the reported performance information was tested as part of the audit of Department of Public Works and Infrastructure and any audit findings are included in the management and auditor's report of Department of Public Works and Infrastructure.
17. Areas of concerns were noted which requires the accounting officer's attention especially on ICT service continuity and reviews of users access accounts on the financial systems. The ICT focus areas relating to user access management and Network security management still require improvement. The lack of implementing basic IT security and user access controls could further lead to unauthorised users gaining access to systems, resulting in data being compromised, denial of service attacks or data integrity issues and consequently overall disruption to business processes.

SECTION 1: INTERACTIONS WITH STAKEHOLDERS RESPONSIBLE FOR OVERSIGHT AND GOVERNANCE

18. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records review/s of the entity :

Key stakeholder	Purpose of interaction	Number of interactions
Portfolio committee on Public Works and Infrastructure	<input type="checkbox"/> Meeting to share the audit outcomes and present the BRRR <input type="checkbox"/> Presentation of the Special audit report 1 on Covid-19 expenditure <input type="checkbox"/> Letter to the chairperson of the portfolio committee on DPWI presenting a summary of the issues on Special audit report 1 and 2 on Covid-19 expenditure	3
Minister	<input type="checkbox"/> Presentation on audit outcomes and key messages <input type="checkbox"/> Letter was sent following up on the progress made in the disciplinary of the minister's special advisor <input type="checkbox"/> Presentation of the Special audit report 1 on Covid-19 expenditure <input type="checkbox"/> Presentation of the Special audit report 2 on Covid-19 expenditure	5
Director-general	<input type="checkbox"/> Refresher Presentation on amendments to Public Audit Act <input type="checkbox"/> Detail discussion on interim management report and Status of Records review. <input type="checkbox"/> Discussion of the engagement letter and audit Strategy <input type="checkbox"/> :Letters on Audit progress of the Public works portfolio <input type="checkbox"/> Discussion on progress made in addressing material irregularities communicated in the prior year	7

Key stakeholder	Purpose of interaction	Number of interactions
	<input type="checkbox"/> Meeting with DPWI, DPME & AGSA to discuss the challenges on EPWP indicator reporting <input type="checkbox"/> Meeting about the audit action plans to address both internal and external audit findings on AoPO and compliance subject matters.	
Audit committee	<input type="checkbox"/> Discussion of the engagement letter and audit strategy <input type="checkbox"/> Communication of the interim management report and Status of Records review. <input type="checkbox"/> Approval of the Department's Annual Financial Statements <input type="checkbox"/> Management presentation on the audit action plans to address both internal and external audit findings.	4
Senior Management	<input type="checkbox"/> Weekly Audit Steering Committee meeting <input type="checkbox"/> Presentation of the engagement letter and audit strategy <input type="checkbox"/> Presentation of the interim management report <input type="checkbox"/> Several presentations by management on the audit action plans to address both internal and external audit findings on AoPO and compliance subject matters.	12

19. At these interactions, we shared the following key matters affecting audit outcomes and the auditee

- Audit engagement (with specific emphasis on the roles and responsibilities of the auditor and management as well as those charged with governance).
- Overall audit strategy including the proposed nature, timing and extent of audit procedures to be performed.
- Status of key controls, the weaknesses in the internal control environment identified through the Status of Records Review and interim audit process and actions to be taken to correct these.
- PAA Amendments with the focus on progress made in addressing the material irregularities reported in the prior year.

20. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3.2, which deals with the assessment of assurance providers.

SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT

AUDIT OF THE FINANCIAL STATEMENTS

21. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the entity's system of internal control. These material misstatements also constitute non-compliance with section 40(1) of the Public Finance Management Act (PFMA).

22. The misstatements that were not corrected form the basis for the qualified opinion on the financial statements.

Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding [Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement where applicable.]	Occurred in prior year		
Material misstatements not corrected				
Current Assets				
Receivables from exchange transactions:	Differences were identified between auditor's recalculated amounts and the balance disclosed on the AFS relating to prepaid expenses leases and Revenue accrual - recoverable leases	No	Estimated overstatement of R534 504 138	0
Current liabilities				
Payables from exchange transactions	Differences were identified between auditor's recalculated amounts and the balance disclosed on the AFS relating to Accrued expenses: Leases	No	Estimated overstatement of R450 258 312	0
Material misstatements corrected				
Non-Current Assets				



Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding [Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement where applicable.]	Occurred in prior year		
Property, plant and equipment (PPE)	<p>In calculating deemed cost for immovable assets, the area of the property in m² (extents) is multiplied by the rate for the specific type of asset. Misstatements were identified in the immovable assets register (IAR) due to the incorrect application of AVL rates when calculating property values.</p> <p>Additionally, we identified misstatements in the IAR due to assets included in the IAR for which PMTE did not retain ownership. Furthermore, we identified assets, which are duplicated in the IAR.</p>	Yes	<p>Estimated understatement of R1 440 235 420</p> <p>Actual overstatement of R 425 637 606</p>	Estimated understatement of R2 818 767 125
Current Assets				
Receivables from exchange transactions:	<p>Differences were identified between the amount disclosed on the AFS and the supporting schedules for municipal services.</p> <p>Arithmetic errors noted on the supporting schedules in respect to the calculation of the impairment provision for municipal services.</p> <p>Inadequate disclosure of a sub-balance within the municipal services because of incorrect classification.</p>	No	<p>Overstatement of R302 013 168</p> <p>Understatement of R197 322 941</p> <p>Understatement of R458 763 542</p>	0
Current liabilities				
Payables from exchange transaction	Inadequate disclosure of a sub-balance within the municipal services because of incorrect classification.	No	Understatement of R458 763 542	



Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding [Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement where applicable.]	Occurred in prior year		
Disclosure				
Irregular expenditure	Irregular expenditure disclosure note not complete	No	Unquantifiable amount as management need to conduct an assessment and determination process in line with National Treasury Framework	0
Lease commitments: Lessee	Differences were identified between the auditor's recalculated amounts and amounts on the supporting schedules.	No	Understatement of R193 579 653 Overstatement of R194 929 000 relating to comparable amount	0
Lease commitments: Lessor		No	Understatement of R305 611 491	0
Contingent assets	Contingent assets disclosed not in line with the requirement of GRAP 19	No	Overstatement of R 228 684 479	0
Related parties	Related party disclosure not complete	No	Understatement of related party unquantifiable	0



Material misstatement			Impact R current year	Impact R prior year
Financial statement item	Finding [Include a brief description of the misstatement as per the findings and the auditor's report. Include the reasons for the auditee not correcting the misstatement where applicable.]	Occurred in prior year		
Fruitless and wasteful expenditure	Fruitless and wasteful expenditure not complete: overpayment of leases which were subsequently impaired under receivables have not been disclosed as fruitless and wasteful expenditure	No	Understatement of R118 380 233	0



Emphasis of matter paragraphs

23. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

24. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2021.

Impairments – Receivables from exchange transactions

25. As disclosed in note 22 of the notes to the annual financial statements, material losses of R760 185 000 were incurred as a result of a lack of recoverability in long outstanding receivables.

Going concern

26. I draw attention to note 38 to the financial statements, which indicate that the trading entity as of 31 March 2021, has a bank overdraft of R905 million (March 2020: R2,6 billion) and the current liabilities exceed the current assets by R4,5 billion (March 2020: R6,2 billion).

AUDIT OF THE ANNUAL PERFORMANCE REPORT

27. In terms of section 40(3)(a) of the PFMA for departments, trading entities and constitutional institutions, the trading entity is required to prepare an annual performance report. The trading entity's performance information was reported in the annual performance report of Department of Public Works and Infrastructure. The usefulness and reliability of the reported performance information was tested as part of the audit of Department of Public Works and Infrastructure and any audit findings are included in the management and auditor's report of Department of Public Works and Infrastructure (DPWI).

AUDIT OF COMPLIANCE WITH LEGISLATION

Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Expenditure Management

28. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R82 937 000, as disclosed in note 32 to the financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure disclosed in the financial statements was caused by appropriate approval not obtained from a deligated authority .
29. Effective internal controls were not in place for approval and processing of payments, as required by treasury regulation 8.1.1. The non-compliance resulted in a material irregularity as reported in the section on material irregularities.

Annual Financial Statement, Performance and Annual Report



30. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by sections 40(1) (a) and (b) of the PFMA. Material misstatements of non-current assets, current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

Assets Management

31. Proper control systems were not in place at the trading entity to ensure the safeguarding of assets, as required by treasury regulation 10.1.1(a). The non-compliance resulted in a material irregularity as reported in the section on material irregularities.

Consequence Management

32. I was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 4.1.1.
33. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 4.1.1.
34. I was unable to obtain sufficient appropriate audit evidence that confirmed cases of improper conduct in the supply chain management system that constituted a crime were reported to the SAPS, as required by treasury regulation 16A9.1(b)(ii).

Procurement and contract management

35. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Procurement Procurement Regulation 8(2).
36. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016.
37. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5).

Revenue Management

38. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA.



OTHER INFORMATION

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

INTERNAL CONTROLS

43. The significant deficiencies in internal control which led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph x, are described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

Leadership

Effective leadership culture

44. We commend leadership on their role in development of appropriate action plans to address the Beitbridge material irregularity raised in the prior period. The entity is currently implementing action plans and the progress is monitored. The leadership has continued to engage auditors for guidance in relation to the PAA amendments implementation. In light of consequence management, the entity is implementing the recommendations of the investigation reports on the irregularities on Public Services Commission (PSC) report on the irregular appointment of officials. Although management could not complete the implementation of these recommendations due to delays such as the court interdicts lodged by the implicated officials etc., the implementation of consequence management is emphasising that non-compliance with legislation will not be tolerable.
45. We have noted a slow response by leadership to address the lease overpayments raised in the previous financial period. Overpayments continued in the current year, as the trading entity did not timeously update and capture lease agreements concluded by REMS on Archibus system.
46. However, there were inadequate oversight of the monitoring of the implementation of internal controls during the year, resulting in material misstatements in the financial statements as well as instances of irregular expenditure. This shows that the entity has not prioritised the implementation of preventative controls.



Oversight responsibility

47. The governance, risk and compliance (GRC) unit has continued to play a key role in oversight for the trading entity. Numerous investigations were conducted and concluded in the current year, which identified non-compliances with laws and regulations to be reported on the annual financial statement. We have noted that management have failed to implement recommendations suggested by GRC in relation to irregular expenditure identified from non-compliances reported.
48. Senior management's attitude towards implementing action plans developed has not yield desired results. We have noted non-compliance findings on procurement and contract management which are similar to the issues raised in the previous years. Furthermore, components (Immovable assets & Leases) which were qualified in the previous financial year have continued to have issues in the current year. This indicate slow response by management to address issues raised. In addition, we noted that issues that were resolved have re-occurred in the current financial year e.g. Ownership of assets.

Human resource management

49. A slight regression was noted with the overall vacancy increasing from 9% in the prior period to 12% at the time of performing this assessment. However, the most concern is on the Senior Management vacancy rate which regressed from 23% in the prior year to 57% in the current year.
50. Finance division and the Supply Chain Management (SCM) division vacancy rate's remains a concern with a reported vacancy rate of 16%.A number of material misstatements were identified in the annual financial statements and significant issues were also identified on Supply Chain Management which then proves that the positions that are vacant have an impact.

Policies and procedures

51. Although internal policies and procedures of the trading entity have been established, it did not adequately address compliance with key legislation. This is evidenced by numerous non-compliance findings raised on procurement and contract management findings which proves that there are weakened control environment of the trading entity. Management should focus on developing procedures and policies which promote preventative controls.
52. The policies and procedures of the trading entity are not addressing the issues of overpayments, as control environment is weak on capturing correct lease agreements. The procedure manual should address the overpayment issues which has been a problem for the entity. Furthermore, the trading entity used incorrect rates in calculating the value of land. The application of immovable assets deemed cost position paper was not properly followed resulting in the material findings raised.

Action plans to address internal control deficiencies

53. The trading entity developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner. This is evident by the repeat material misstatements and non-compliance findings identified during the audit.



54. We take note of management's efforts to implement proper controls for the capturing and review of all leases loaded onto the Archibus system. Furthermore, a three-day training on capturing and review of lease agreements on Archibus for existing and new officials was attended. However, the actions plans were not effective as material misstatements have been reported in the current year. This indicates that portfolio managers did not take responsibility for incorrectly captured information and actions are not taken against transgressions that may result in financial losses.
55. The action plans developed to address immovable assets issued raised in the previous year were fully implemented in the current financial year. Management were able to clear the valuation issue raised on the deemed cost which had been a challenging task for the trading entity. In addition, the classification issue raised on assets under construction was resolved in the current financial period. Both these components contributed to the prior year qualification of the trading entity. This indicate that the action plans developed to address these findings were effective and sufficient. It should be noted that misstatements were identified on the immovable assets register in relation to application of AVL rates and ownership of properties included on the IAR. However, these misstatements were subsequently resolved by management, which resulted in the material adjustment for the entity.
56. Action plan was developed to address issues on Supply Chain Management that were raised in the previous year was not achieved. A number of Supply Chain Management findings were raised in the current year, which were also raised in the current year, which resulted irregular expenditure. Our report has increased number of non- compliance

Information technology governance framework

57. Information technology governance was found to be inadequately designed and implemented with the following internal control deficiencies to be considered by management
58. The ICT structure was approved on 30 September 2016; the Minister requested a re-configuration of the ICT structure to be align to the new mandate of DPWI. Following the re-evaluation of the organisational structure, ICT has started advertising the key positions. Two (2) key ICT vacancies were still not filled at the end of March 2021. If the ICT function is not fully capacitated, some ICT resources may be overloaded with more responsibilities. This may result in lack of ability by other ICT resources to perform critical ICT activities leading to an increase in the number and impact of incidents caused by unavailability of essential skills.

Financial and performance management

Proper record keeping

59. The trading entity has not yet fully implemented the new record management system. We experienced significant delays and limitations where supporting documentation were provided late, especially with respect to the regional audit. Furthermore, we noted that management did not adequately review immovable assets register (IAR) to ensure that the deemed cost position paper was correctly applied when valuing properties. Management did not keep a record of supporting documents to confirm ownership of some assets disclosed on the annual financial

statement. However, management on the resubmission subsequently resolved these misstatements.

60. Management did not properly review the details of the leases that were recorded on ARCHIBUS; as a result, significant differences were identified on the leases disclosed in the annual financial statements and the details of the lease as per the lease contract. This was exacerbated by the fact that lease information is decentralised, and regional officials were not provided with recent lease agreements concluded by REMS timely, as a result latest lease agreements were not captured on Archibus system.

Daily and monthly processing and reconciling of transactions

61. The process of initially accounting for the immovable assets acquired through the transfer of function was not adequately completed prior to the date of this report. Management did not reconcile the assets recorded on their immovable assets register against the deeds office to confirm the ownership those assets before disclosing them on the IAR. This was evidenced by the misstatements identified on the submitted IAR. Management subsequently resolved these misstatements.
62. Management did not perform adequate reconciliations of the financial information prior to submission for audit to ensure that the financials are free from error. Receivables from exchange transactions with respect to municipal services did not reconcile with the supporting schedules. The root causes of such regression was due to system technical issues related to the SAGE system.
63. Management implemented the contract, tender and quotation registers, however, the registers were not complete at all times and sometimes were inaccurate i.e. quotations for the trading entity were recorded as if they were procured by the department and vice versa thus resulting into audit inefficiencies.
64. Overpayments made to landlords in terms of private leased properties continued in the current year as management made payments on old lease agreements that were at a higher rental fees. The process put into place to verify payment amounts before they are made have not yet made a significant difference as the overpayments have continued to occur.

Regular, accurate and complete financial and performance reports

65. Recording, reviewing and reporting processes and controls over Immovable assets, operating leases, revenue from exchange transactions, trade payables and disclosure notes in the financial statements were not adequate.
66. As indicated in section 2.1, the financial statements contained misstatements. This was mainly due to the inadequate review and reconciliation of the annual financial statements to the underlying accounting records and inadequate controls to prevent and detect irregular expenditure to ensure that all irregular expenditure was disclosed in accordance with section 40(3) (i) of the PFMA.
67. There is a lack of full implementation of the financial accounting system, which results in the process of preparing financial statements being lengthy. This is evident by the fact that the supporting schedules to the annual financial statement submitted by management did not agree to the information disclosed on the AFS as a results, material misstatements were identified.



Completeness issues was also identified as tenders relating to lease agreements awarded in the current year where not included on the amounts disclosed in the annual financial statements.

Compliance monitoring

68. There is an increased number of issues of non-compliance with legislation. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored. Findings raised in procurement and contract management were similar to the issues raised in the prior year in certain instances, which resulted to irregular expenditure. This indicates a lack of consequence management by leadership
69. Internal controls in relation to expenditure management have not been adequately implemented which resulted in the entity failing to have effective and appropriate steps to prevent irregular expenditure. In certain instances, we identified that Effective internal controls were not in place for approval and processing of payments.

Information technology systems

67. IT controls pertaining to service continuity; security management, user access management and change control management were not effectively designed and implemented due to the following key internal control deficiencies:

- Poor IT controls on User Access Management were due to uncoordinated roles between business system owners and IT. Poor controls on change control management and service continuity were due to insufficient recorded information and dependency on sourcing service continuity implementation partner, which both have been sorted out.
- 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 on GIS system could not be obtained due to system limitation
- Management have not resolved the 2019/2020 findings on the GIS system. 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 systems.
- Management did not comply with their own process of removing of terminated users prescribe on page 10, par 8.4 of the user management policy.
- 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's 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.
- The PMIS system does not record password reset and access violations due to infrastructure related issues.
- 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.
- There were delays in the appointment of the service provider for the implementation of backup solution in the entity
- There was no space on the drive for backups.
- There was lack of consequence management for not resolving prior audit findings on IT Service Continuity, as there were not controls around backup management due to the department running out of space on the drive for backups due to the expired backup tool. The department has now finalized and signed off a DRP plan and is in the process of implementing it.
- Inadequate patch management could be attributed to lack of regular system monitoring and non-compliance to patch management processes.
- Weaknesses identified could be attributed to lack of system monitoring, which might have resulted in management not being aware when system are misconfigured.
- 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.
- Weaknesses identified on SAGE SQL database server could be attributed to non-conformance to, or lack therefore of, the Configuration Standard for Database Security

Governance

Risk management activities and risk strategy

70. The trading entity conducted a risk assessment, as required by the PFMA. However, some of the investigations that were in progress of being finalised in the prior year have still not yet been finalised.
71. Some of the cases relating to corruption were referred to Special Investigation Unit due to its complexity and management is still waiting for outcomes of those cases. Where follow up actions are required from the entity as a result of findings from investigations (e.g. disciplinary hearings, etc.), these are not taking place on time in some instances. In addition, we have noted that leadership has been slow to implement some of the recommendations in these reports, especially in relation to holding people accountable for causing the entity to incur irregular, and fruitless and wasteful expenditure. Inadequate consequence management increases the likelihood of similar transgressions recurring, and the entity not receiving value for the high costs incurred in conducting these investigations.

Internal audit

72. The internal audit performed a number of audits throughout the financial period (relating to, inter alia, quarterly performance information and contract management controls) and thus effectively discharged its duties, while senior management has a responsibility to design and implement preventative controls, internal audit function can also play a fundamental role in identifying areas of vulnerability where there are no preventative controls i.e. the regression in the financial audit opinion to enable oversight responsibility by other role players such as the audit committee and the accounting officer.



Audit committee

73. The audit committee was in place, fully functional for the financial period, and complied with relevant legislation.
74. Audit committee vigorously interrogated the audit action plans that were designed to address audit findings from both internal and external auditors and consistently monitored the implementation thereof. The audit committee members are highly skilled and experienced which enables the robustness in the environment and the committee holds the executive as well as the accounting officer accountable for their actions that may hinder the department from obtaining the desired audit outcome

Summary

75. The matters above, as they relate to the basis for the qualified opinion, findings on financial statement and compliance with legislation, will be summarised in the auditor's report as follows:
76. Management did not properly review the details of the leases that were recorded on ARCHIBUS; as a result, significant differences were identified on the leases disclosed in the annual financial statements and the details of the lease as per the lease contract. This was exacerbated by the fact that lease information is decentralised, and regional officials were not provided with recent lease agreements concluded by Real Estate Management Services (REMS) timely, as a result latest lease agreements were not captured on Archibus system.
77. Management's review and monitoring of compliance with applicable laws and regulations was ineffective, which resulted in material non-compliance findings on expenditure, procurement and contract management. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored. Furthermore, management did not take effective steps to assess, evaluate and disclose all irregular expenditure in the annual financial statement.

MATERIAL IRREGULARITIES

78. In accordance with the PAA and the material irregularity regulations, we have a responsibility to report on material irregularities identified during an audit and on the status of material irregularities reported in the previous year.
79. We have notified the accounting officer of material irregularities (MI) identified during the year and the actions the AGSA will take with regard to these material irregularities. We also assessed the progress made in resolving the material irregularities reported in the previous year.
80. The auditor's report will include the following summarised information:

Material irregularities identified during the audit

The material irregularities identified are as follows:

Unfair Procurement Process For The Beitbridge Borderline Infrastructure Project

81. An appropriate supply chain management process that is fair, equitable, transparent, competitive and cost effective was not followed in the appointment of the contractor and the consultant on 18 March 2020 and 19 March 2020 respectively in order to ensure that amounts charged to the trading entity for Beitbridge Borderline Infrastructure project are market related. This was in contravention with National Treasury Regulation (TR) 16A3.2 (a), which requires that a supply chain management system referred to in paragraph 16.3.1 of the TR must be fair, equitable, transparent, competitive and cost effective. The non-compliance is likely to result in a material financial loss.
82. The Accounting Officer was notified of the MI on 13 November 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The response was received on the 10 December 2020.
83. The investigation on the Beitbridge Borderline project was initiated on 25 April 2020 on request from the Minister of DPWI. The investigation was conducted by the Governance Risk and Compliance (GRC) unit of DPWI with the assistance of seconded members from the Special Investigation Unit (SIU). The investigation was finalised on the 27 July 2020. The entity is currently implementing the recommendations stated on the investigation report. The SIU launched an application on 23 September 2020 to freeze the service providers' bank accounts. The Tribunal made an order by agreement on the 23 September 2021 through the Special Tribunal Order that the contractor would not make any further claims for payment from the trading entity. On 17 November 2020, the SIU instituted legal action against the suppliers with the Special Tribunal under case number GP/17/2020. The case is still in progress. The trading entity has since initiated disciplinary actions against the employees of the trading entity for their role in the project. The disciplinary proceedings are still in progress.
84. I will follow up on the implementation of the planned actions during my next audit.

Beitbridge Borderline Infrastructure Project Establishment Cost

85. Internal control measures and procedures were not in place to ensure that there are controls that will be able to detect that the establishment cost pertaining to the Beitbridge Borderline Infrastructure Project is incorrectly included in the BOQ and therefore prevent the payment thereof for an award made to a contractor on 18 March 2020. This was in contravention with TR 8.1.1, which 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 on. The non-compliance is likely to result in a material financial loss.

86. The Accounting Officer was notified of the MI on 13 November 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The response was received on the 10 December 2020.
87. Beitbridge Borderline project was initiated on 25 April 2020 on request from the Minister of DPWI. The investigation was conducted by the GRC unit of DPWI with the assistance of seconded members from the SIU. The investigation was finalised on the 27 July 2020. The entity is currently implementing the recommendations stated on the investigation report. The SIU launched an application on 23 September 2020 to freeze the service provider's bank account. On 17 November 2020, the SIU instituted legal action against the supplier with the Special Tribunal under case number GP17/2020. The case is still in progress. The trading entity has since initiated disciplinary actions against the employees of the trading entity for their role in the project. The disciplinary proceedings are still in progress.
88. I will follow up on the implementation of the planned actions during my next audit.

Material irregularities in progress

89. I identified other material irregularities during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. These material irregularities will be included in the next year's auditor's report.

OTHER REPORTS

90. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the trading entity's financial statements, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the compliance with legislation.
91. Numerous allegations, mainly relating to alleged transgressions with regard to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by Special Investigation Unit. These investigation(s) were in progress at the date of this auditor's report.

SECTION 3: ASSURANCE PROVIDERS AND STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

ASSESSMENT OF ASSURANCE PROVIDERS

92. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives and overall governance. One of the important oversight functions of Parliament is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
93. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
94. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

Senior management: provides limited assurance

- Although senior management is dedicated to achieving the goals of the remedial audit action plan and to the ongoing improvement of the internal control environment, an increased emphasis should be placed on the review and reconciliation of information that supports the financial statement. Management should focus on promoting preventative controls to avoid non-compliances with laws and regulations.
- Senior management did not review the immovable assets register (IAR) submitted to ensure that the deemed cost position paper was applied accordingly. The reconciliation between IAR with the deeds office and/or provincial registers was noted conducted to confirm ownership of assets disclosed.
- The controls around proper record keeping, processing and reconciling of transaction still required major intervention, to ensure that overpayment on leases does not continue. The review of supporting documents against the information captured on ARCHIBUS conducted on a regular basis before payments are processed.
- The implementation of action plans by senior management were in certain instances not effective as it resulted in the trading entity financial audit opinion regressing. There is an increase on procurement and contract management findings, which resulted in increased number of non-compliance paragraphs also material misstatements on irregular expenditure, as not all transactions have not been included in the irregular expenditure disclosure.

Accounting officer provides limited assurance

- We commend accounting officer on his role in development of appropriate action plans to address the Beitbridge material irregularity raised in the prior period. The entity is currently implementing action plans and the progress is monitored. The leadership has continued to engage auditors for guidance in relation to the PAA amendments implementation
- However, the acting accounting officers during the year under review attempted to implement the audit action plan, the efforts applied were not adequate towards achieving good governance based on the audit findings identified during the audit, which include amongst other things the duplicate payments on leases and misstatement on immovable assets.
- The accounting officer has put initiatives in place to provide assurance. The focus should be placed on ensuring that these initiatives are monitored regularly and management is held accountable where weaknesses are identified. Some of the interventions did not take place timeously, which contributed to the recurrence of non-compliances identified on the procurement and contract management.

Executive authority provides assurance

- The executive authority has been receptive to recommendations from the auditors, and the Minister should continue to engage with the different assurance providers of the trading entity for continuous monitoring of commitments made toward improving audit outcomes of the entity. The minister was receptive to the issues communicated on special audit report 1 and 2, took a compliance approach to speedily resolve audit issues and hold responsible officials accountable. She also initiated compulsory training on the PAA amendments for all the executives to enforce the culture of performance with the understanding of the repercussions of non-compliance.

Internal audit provides assurance

- Legislation in South Africa requires the establishment, roles and responsibilities of internal audit units. Internal audit units form part of the internal control and governance structures of the trading entity and play an important role in its monitoring activities. Internal audit provides an independent assessment of the trading entity's governance, risk management and internal control processes.
- The internal audit unit of the trading entity must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management, performance management, loss control and compliance with the PFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
- The internal audit unit effectively discharges its duties and responsibilities, however, the full extent or benefit will be realised once management effectively and timeously implements the recommendations from the outcomes of these audits.

Audit committee: provides assurance

- The audit committee was in place, fully functional for the financial period, and complied with relevant legislation.



- Audit committee vigorously interrogated the audit action plans that were designed to address audit findings from both internal and external auditors and consistently monitored the implementation thereof. The audit committee members are highly skilled and experienced which enables the robustness in the environment and the committee holds the executive as well as the accounting officer accountable for their actions that may hinder the department from obtaining the desired audit outcome

STATUS OF IMPLEMENTING COMMITMENTS AND RECOMMENDATIONS

95. Below is our assessment of the progress in implementing the commitments made by the trading entity to address the prior and current year's audit findings.

No.	Commitment	Made by	Auditors comments	Status
1	<p>Immovable Assets</p> <p>Review of MVR entire population on a 1 by 1 basis to identify MVR values that are not reasonable. Digitise the buildings that move from the BI and AVL method due to the MVR being unreasonable</p> <p>Update position paper to include how land extents are determined as this is part of deemed cost calculation. Implement position paper in choosing the extent to be used.</p> <p>Errors identified in the measuring wheel population of buildings measured in 2018/19 to be remeasured(Measuring wheel)</p> <p>To address errors in multi-storey building extents, a service provider and Management will review the entire population</p> <p>Review the classification of WCS projects</p>	Ms. Sasa Subban (DDG: REIRS)	<p>We did not identify any material misstatements in relation to the MVR population. The action plan developed to address this prior year finding.</p> <p>No material misstatements were identified on the land extent, which differed to the supporting documents as per the prior year finding. The action plan developed to address this finding was effective.</p> <p>We did not identify material misstatements in relation to the multi-story population.</p> <p>We did not identify any material classification issued on the WCS projects.</p> <p>Even though the action plans developed were able to address the prior year findings, It should be noted that material misstatements were identified on the application of deemed cost position paper in relation to AVL rates as well as the recognition of assets on the IAR. These misstatements were subsequently resolved on the resubmission of the immovable assets register.</p>	Resolved

No.	Commitment	Made by	Auditors comments	Status
2	<p>Operating Leases</p> <p>Facilitate that three-day training on capturing of lease contracts on Archibus (refresher for those who were offered it and new for new officials).</p> <p>Ensure portfolio managers take responsibility for incorrectly captured information and actions are taken against transgressions that may result in financial losses.</p> <p>Approval granted to restart the renegotiation of existing leases by Accounting Officer with a view to discontinue month-to-month leases.</p> <p>Approval of guideline to ensure that all leases are extended accordingly as part of contract management strategy.</p> <p>Institute consequence management on confirmed cases of duplicate capturing of information and lack of adequate verification.</p> <p>Issue directive to all Regional Offices: REMS to upload lease contracts within 24 hours after the lease is signed. Monitor implementation and apply consequence management.</p>	Ms. Nyeleti Makhubele (DDG: REMS)	<p>We identified a significant number of misstatements, which affected all lease line items on the AFS. The root cause remains the incorrect capturing of lease contracts on Archibus.</p> <p>In certain instances, signed contracts were not captured timely. This had a continued impact on overpayments and AFS balances being misstated.</p> <p>As at year end no evidence of consequence management has taken on officials responsible for errors in capturing leases.</p> <p>Although the guideline for renegotiating leases, is yet to have a notable impact in reducing month-to-month contracts. Contracts running on a month-to-month contract have higher than market value escalation rates continue to make the entity pay above market rentals.</p>	Not resolved
3	<p>Non-compliance with SCM policies/prescripts</p> <p>Provide Workshop on SCM Processes to refresh knowledge of SCM Prescripts to officials involved in the SCM Processes and managing of Contracts in the Department.</p> <p>Report non-compliant transactions for Irregular Expenditure Investigation, reporting and consequences.</p> <p>Develop a checklist of the basic and relevant procurement documents that must be on file and to be signed off by SCM Practitioners for each procurement file to ensure completeness.</p> <p>Review the entire population of wards and quotation Scan all procurement documents and upload on Paper trail or Secure Shared Drive</p>	Mr. Henry Isaacs (DDG: SCM)	<p>We have identified instances of non-compliance with SCM laws and regulations during the current financial year.</p> <p>The nature of findings included:</p> <ul style="list-style-type: none"> - Incorrect procurement process followed - Pre-qualifying criteria not met - Bidder that was unfairly disqualified - Splitting of quotations - Deviation not justifiable - Bids not published or/and advertised on E-Tender and Government Tender Bulletin. - Local content declaration not made to DTI - Tender register incomplete <p>Furthermore, management indicated that the following action plans had not been implemented as at year-end:</p> <ul style="list-style-type: none"> >The date for the training 	Not resolved

No.	Commitment	Made by	Auditors comments	Status
			workshop that was scheduled for 31 March 2021 was not met >Certificate of Completeness has been developed implemented with effect from 01 February 2021.	
4	<p>Other commitments</p> <p>Follow up of the unpaid invoices on the Rea Patala Ageing Report with the line managers.</p> <p>Monitor progress on the unpaid invoices below and over 30 days through weekly VC meetings with the regional and head offices. Follow up with the Branch Heads on all outstanding invoices exceeding 30 days.</p> <p>Migration from Worx4U to Archibus of 3 remaining regions (Mthatha, Mmabatho & Johannesburg)</p> <p>Develop the agreement to be signed by user departments to alleviate the bank overdraft. Request National Treasury to assist in recovering historical outstanding debt.</p> <p>Review the ReguCom report to identify the nature of transaction, process journals to correct the misclassification.</p>	Mr. Mandla Sithole (CFO)	<p>An insignificant amount of payments not made within 30 days was identified in the current year.</p> <p>>The migration was not tested by our information systems auditors; however, we have not identified notable issues through our audit work.</p> <p>>Although the overdraft balance remains material and a concern area, we have noted a significant improvement in the balance</p>	Partially resolved

- One recommendations accepted by management in the prior year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.
- Five recommendations are still being implemented and one have not been addressed, or very limited progress has been made.
- Details on the status of implementing the recommendations made in the previous year(s) are provided in section 10, which summarises the detailed audit findings.

SECTION 4: SPECIFIC FOCUS AREAS

FINANCIAL VIABILITY

96. Our audit included a high-level overview of the Entity's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
EXPENDITURE MANAGEMENT			
1.1	Creditor payment period	128 Days	145 Days
REVENUE MANAGEMENT			
2.1	Debtor-collection period (after impairment)	67 Days	63 Days
2.2	Debtors' impairment provision as a percentage of accounts receivable	62 %	58 %
	<ul style="list-style-type: none"> Amount of debtors' impairment provision Amount of accounts receivable 	R5 159 518 000 R8 359 846 000*	R4 711 477 000 R8 086 892 000
ASSET AND LIABILITY MANAGEMENT			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	No
	<ul style="list-style-type: none"> Amount of the surplus/(deficit) for the year 	R1 593 158 000*	R2 695 035 000
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	<ul style="list-style-type: none"> Amount of the net current assets/(liability) position 	(R5 032 597 000)*	(R6 241 641 000)
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	<ul style="list-style-type: none"> Amount of the net asset/(liability) position 	R133 130 092 000*	R132 427 267 000*
CASH MANAGEMENT			
4.1	The year-end bank balance was in overdraft	Yes	Yes
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents)/(bank overdraft) 	(R900 896 000)	(R2 572 780 000)

FINANCIAL VIABILITY ASSESSMENT			
		AS AT 31 MARCH 2021	AS AT 31 MARCH 2020
4.2	Net cash flows for the year from operating activities were negative	No	No
	<ul style="list-style-type: none"> Amount of net cash in/(out)flows for the year from operating activities 	R4 232 622 000	R3 234 680 000
4.3	Creditors as a percentage of cash and cash equivalents	Bank in overdraft	Bank in overdraft
	<ul style="list-style-type: none"> Amount of creditors (accounts payable) Amount of cash and cash equivalents / (bank overdraft) at year-end 	R3 575 500 000* (R900 896 000)	R4 237 667 000 (R2 572 780 000)
OVERALL ASSESSMENT			
Overall the financial viability is assessed as:		Red (Unfavourable – Intervention required)	Red (Unfavourable – Intervention required)
* These amounts have been adjusted for uncorrected misstatements that resulted in the modification of the audit opinion and will therefore not agree with the financial statement amounts.			

High-level comments

97. The overall financial position of the trading entity has significantly improved from prior period due to the overdraft facility being reduced by almost 65% as compared to the prior period. The following concerns were noted:

- Although the entity recorded a surplus for the year, key financial indicators are negative.
- Debtors' impairment provision increased from the prior year, and more than half of trade receivables was provided for impairment. This is an indication that management are not able to collect debtors as they become due.
- The net current liability position has decreased compared to the prior year, this is mainly attributed to a decrease in deferred revenue. Days taken by the trading entity to pay its creditors has slightly decreased compared to the prior year but still higher than the legislated payment period.
- Although the overdraft facility has significantly decreased in the current year, management has entered into agreements with implementing agents which require significant upfront payments. As at 31 March 2021, prepayments in excess of R775 million were recognised. Lease overpayments continued to occur in the current year resulting in a cumulative overpayment balance of R458 million disclosed by management. The above factors have negatively affected the overdraft facility as at year-end.



PROCUREMENT AND CONTRACT MANAGEMENT

98. The audit included an assessment of procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism, and unfair and other irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

99. R59 853 000 (95%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. Further irregular expenditure incurred in previous years amounting to R16 795 000, was also identified in the current year. 60% (100% in the prior year) of this irregular expenditure was identified during the audit process and not detected by the trading entity's monitoring processes. The root causes of the lack of effective prevention and detection are inadequate review and monitoring of compliance with SCM processes and requirements.

Awards to persons in the service of the state and their close family members

100. The audit included an assessment of the interests of officials and their close family members in suppliers to the trading entity. Legislation specific to procurement does not prohibit the Property Management Trading Entity from making such awards, but compliance with the legislation and policies was tested to ensure that conflicts of interest did not result in contracts being unfairly awarded or unfavourable price quotations being accepted, and that employees obtained approval for performing remunerative work outside their employment as required.

101. The findings were as follows :

Finding	Number and value of awards made	Number and positions of official identified	Number of suppliers identified	Further non-compliance or irregularities regarding the awards			
				Supplier did not submit declarations of interest	Supplier did not declare interest (false declaration)	Official did not declare interest	Official was involved in awarding the contract/ quotation
Awards made to business partners and associates of officials of the trading entity	2 R 9 761 361	1 Deputy director financial accounting	2	0	0	0	No

Procurement processes

102. The table below is a summary of findings identified on procurement processes:

	Total		Quotations (below R500 000)		Competitive bids (over R500 000)	
	Number	Value R	Number	Value R	Number	Value R
Awards selected for testing	84	1 085 912 892	49	17 240 163	35	1 068 672 729
Expenditure incurred on selected awards – current year		254 677 556		13 246 486		241 431 070
Limitations – awards selected but could not be tested	1	0	0	0	1	500 728 771
Awards on which non-compliance was identified	28	846 506 237	14	3 981 150	14	842 525 087
Irregular expenditure identified	28	182 685 675	14	3 809 360	14	178 876 315
Instances of irregular expenditure where goods/ services were not received	0	0	0	0	0	0

Procurement processes – general

- Three (3) awards with a value of R441 832.68 were procured without inviting at least the minimum prescribed number of written price quotations from prospective suppliers, and the deviation was approved even though it was possible to obtain the quotations.
- Three (3) quotations to the value of R517 244, 80 were procured from suppliers whose tax matters had not been declared by the South African Revenue Service to be in order.
- One (1) contract with a value of R500 728 771,13 was procured without inviting competitive bids, and the deviations were not approved.
- One contract with a value of R157 995 881.50 was procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids.
- Seven (7) contracts and One (1) quotation with a value of R191 479 227 were awarded to bidders who did not comply with specified pre-qualification criteria requirement.
- One (1) contract, which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable.
- Two (2) contracts, which achieved the minimum qualifying score for functionality criteria, were not evaluated further.

Local content and production (designated sectors)

- Specifications for Seven (7) awards with a total value of R88 700 713, 02 did not stipulate the minimum threshold for local production and content.
- Five (5) contracts and two (2) quotations with a total value of R88 700 713, 02 were awarded to bidders that did not submit a declaration of local production and content.
- Five (5) contracts and two (2) quotations with a total value of R R88 700 713, 02 were awarded to bidders that did not meet the minimum threshold for local production and content.

Internal control deficiencies

103. The accounting officer did not in some instances exercise oversight responsibility of the reporting and compliance with laws and regulations.
104. Reviewing and monitoring of compliance with relevant laws and regulations was insufficient and not properly monitored in some instances.

FRAUD AND CONSEQUENCE MANAGEMENT

105. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.
106. Below is a summary of fraud risk factors that should be addressed to ensure that sufficient measures/controls are in place to prevent material misstatement due to fraud.

- Officials in high ranking positions who may take the opportunity to misuse their authority

107. The PFMA and its regulations clearly stipulate that matters such as incurring irregular as well as fruitless and wasteful expenditure, the possible abuse of the SCM system including fraud and improper conduct and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the trading entity's management of consequences. The significant findings are provided below :

Measures to manage consequences

108. The following measures were not implemented to ensure that the environment is conducive to effective consequence management:
- There was a lack of proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support the processes followed for financial misconduct/transgressions committed by officials and suppliers of the auditee.

Ongoing investigations

109. 16 investigations were ongoing at year-end into allegations relating to financial misconduct, fraud and/or improper conduct in SCM. Some of these investigations have been ongoing for a period exceeding 12 months. The table below provides a summary of investigations which had not been completed as at year-end:

	2020-21	2019-20
Total number of ongoing investigations as at year-end	13	21
• Number of SCM-related investigations	8	9
• Number of fraud-related investigations	3	1
Number of investigations exceeding a period of six months	6	15

Failure to properly deal with allegations reported in the prior year

110. The table below provides a summary of findings from the previous year that were either not investigated or proper disciplinary steps were not taken after investigation.

111. Allegations of financial misconduct, fraud and improper conduct in SCM

Finding (Not applicable findings should be deleted)	Number of instances
Allegations against other officials	
Allegations of financial misconduct were not investigated	16

Transgressions reported to management for investigation

112. During the prior year audit, we reported findings relating to transgressions by officials or other role players for management to investigate. During the current year audit, we performed follow-up tests to determine whether the matters reported were dealt with by management.

113. The table below provides a summary of the transgressions reported in the prior year and an indication of how many were dealt with. It also provides a summary of transgressions identified in the current year that must be investigated and disciplinary steps taken based on the results of the investigations.

Finding	Findings reported in prior year			Findings reported in current year	
	Number of instances	Number of instances investigated	Number of instances resolved from those investigated	Number of instances	Value (R)
A: Improper conduct in SCM by suppliers					
Supplier submitted false declaration of interest	1	0	1	0	0

	Findings reported in prior year			Findings reported in current year	
Finding	Number of instances	Number of instances investigated	Number of instances resolved from those investigated	Number of instances	Value (R)
Other improper conduct in SCM by suppliers	3	3	1	6	Unquantifiable as not all instances have amounts
B: Improper conduct in SCM by officials/role players					
Payments made to fictitious suppliers	1	1	0	0	0
Other improper conduct in SCM by officials or SCM role players	3	1	1	9	Unquantifiable as not all instances have amounts
C: Financial misconduct					
Other financial misconduct-related allegation	8	1	1	0	0
D: Other contravention of legislation					
(Add other contravention of legislation)					
D: Other fraud / corruption allegations (not included above)					
(Add other possible fraud)	3	1	1	3	unquantifiable

114. Irregular fruitless disclosed in note 32 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of the irregular expenditure. Disciplinary steps must be taken against officials who caused or permitted the irregular expenditure, and losses incurred as a result must be recovered from the person liable.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) ACT AND REGULATIONS REQUIREMENTS

115. The audit included confirming whether the requirements as set out in the B-BBEE Act and Regulations were adhered to. The purpose of this value-add initiative is to highlight the requirements contained in the B-BBEE Act and Regulations. Below is the list of findings identified:

- The trading entity did not submit the FORM B-BBEE 1, the approved audited annual financial statements and the approved annual report pertaining to the 2019-20 financial year to the B-BBEE Commission within 30 days as required by regulation 12(2) of the B-BBEE Regulations.
- The annual report of the trading entity did not include a report on compliance with broad-based black economic empowerment as required by section 13G (1) of the B-BBEE Act.
-

SECTION 5. USING THE WORK OF INTERNAL AUDIT

116. The auditing standards allow external auditors the optional use of the work of internal auditors for external audit purposes and for direct assistance. We have used internal audit as follows:

117. The following internal audit report was considered for risk identification purposes i.e.

- Follow up audits where Internal Audit assessed management's progress in addressing internal and external audit findings from prior periods, procurement and contract management as well IT audit.

Accounting, performance management/reporting and compliance matters

New pronouncements

Standards of GRAP

118. The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
GRAP 20 on Related party disclosures	1 Apr 2021
GRAP 32 on Service concession arrangements: Grantor	1 Apr 2021
GRAP 104 on Financial instruments (revised)	To be determined
GRAP 108 on Statutory receivables	1 Apr 2021
GRAP 109 on Accounting by principals and agents	1 Apr 2021
GRAP 110 on Living and non-living resources	1 Apr 2021
IGRAP 17 on Service concession arrangements where a grantor controls a significant residual interest in an asset	1 Apr 2021
Guideline on Accounting for arrangements undertaken in terms of the national housing programme	1 Apr 2021
Guideline on Accounting for landfill sites	To be determined

Subsequent events

119. Management should consider the following sources to identify subsequent events and adequately account for the in accordance with the reporting framework

- Media reports
- Political initiatives
- Changes in oversight
- Transfer of functions



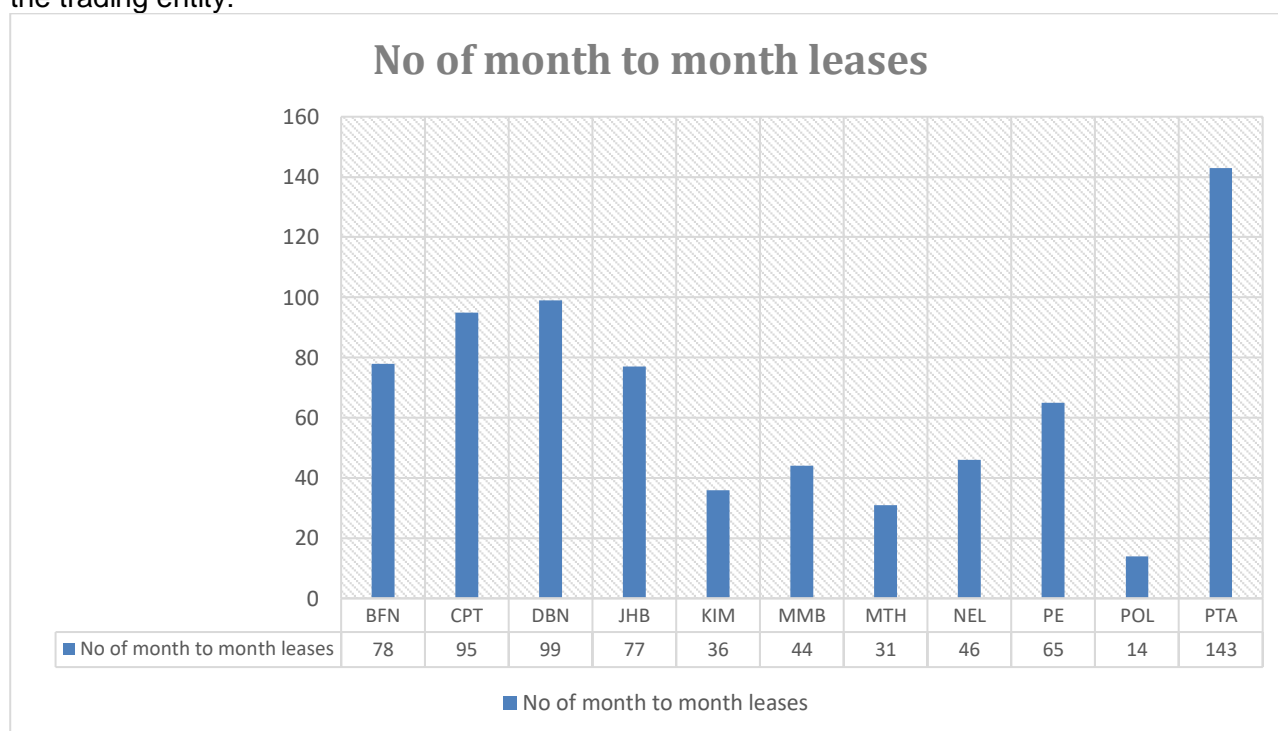
SECTION 6. OTHER VALUE WORK PERFORMED ON LEASES AND IMMOVABLE ASSETS

Month to month operating leases

The PMTE considers leases to be on month-to-month and open-ended basis when the underlying lease agreements on leasehold properties have expired and the asset is still being utilised by the client department. Currently the department has 728 leases that are on month-to-month and open-ended basis. This is a slight improvement from the prior year which had 800 leases on a month-to-month basis.

Since 05 September 2013, PMTE has obtained three dispensations from the minister of finance through National Treasury to deviate from competitive bidding process and renew expired leases agreements. The dispensations were granted on condition that the escalation rate does not exceed 6%. However due to the large backlog of expired leases, the trading entity has not been able to resolve the problem of expired leases running on month-to-month.

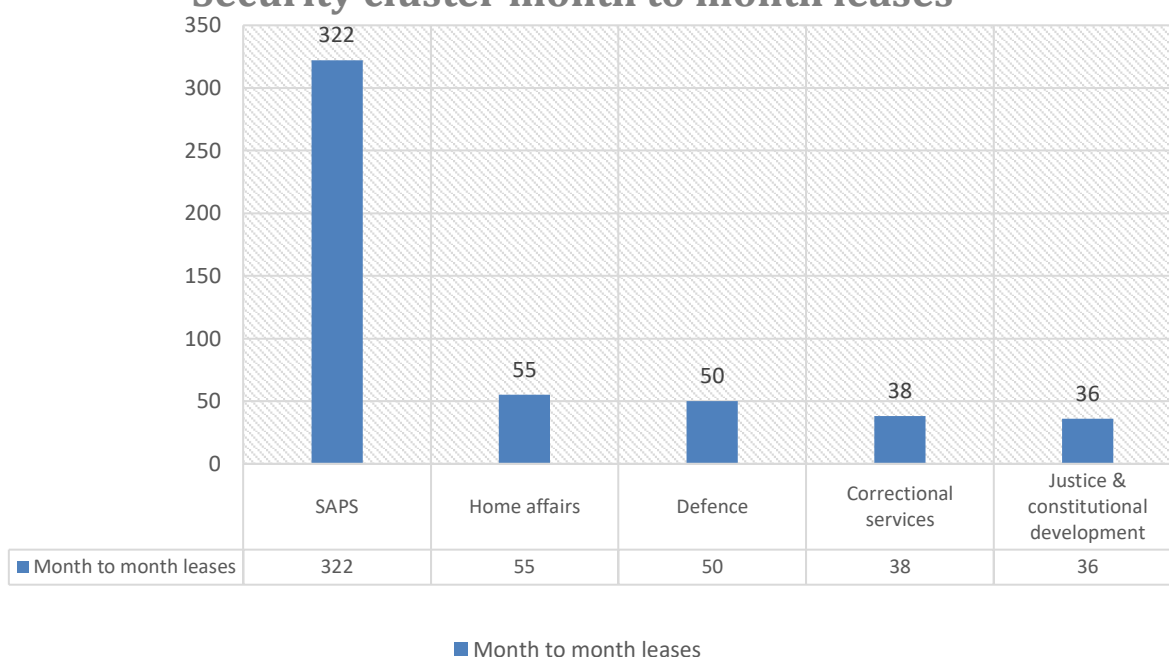
The graphics below depict the extent of leases that are on a month to month throughout regions of the trading entity:



Contracts running on a month-to-month basis have a negative impact on the trading entity as they result in PMTE paying rentals at higher than market related lease escalations. A majority of the leases which are on month to month are found at Pretoria (143), Durban (99) and Cape Town (95) regions which make up 47% of the total contracts.

The below graphic further analyse the number of leases running on a month-to-month basis within the **security cluster** alone which makes up 501(69%) of the total number of leases running on a month to month:

Security cluster month to month leases

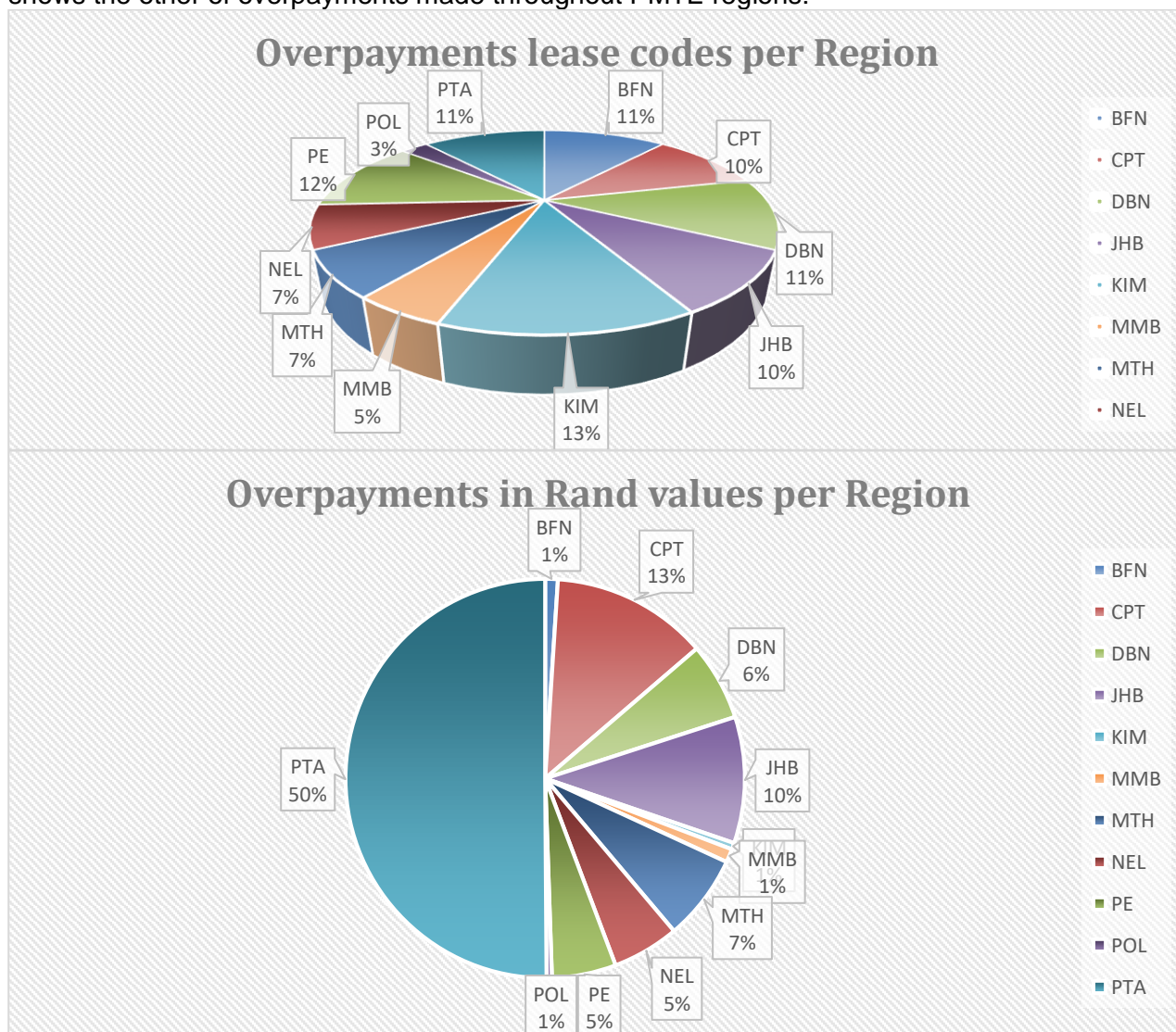


Within the leases classified as other, Department of Employment and Labour makes contributes about 6% (43 leases) and Department of Rural Development And Land Reform contributes about 4% (27 leases). The remainder of the balance is spread across various departments.

Leases generally continue on a month-to-month basis for 5 years after expiry of the lease contracts. However, with PMTE some leases have proven to be on a month to month for longer periods. For example, one of the longest ongoing month-month leases is the Armscor building situated in Pretoria, which is owned by the ARMAMENTS CORPORATION OF SOUTH AFRICA. The tenant of the building, Department of Defence has been occupying the building on an open-ended contract which has been running on month-to-month basis for 17 years since expiry in 2004. The rental escalation rate has remained at 10% from inception, to date. Contracts running on a month-to-month basis have a negative impact on the entity as they result in PMTE paying rentals at higher than market related lease escalations. Through our audit work, we have raised concerns over the possible irregularities of the excessively extended contract. Engagements are still ongoing with the client over the matter.

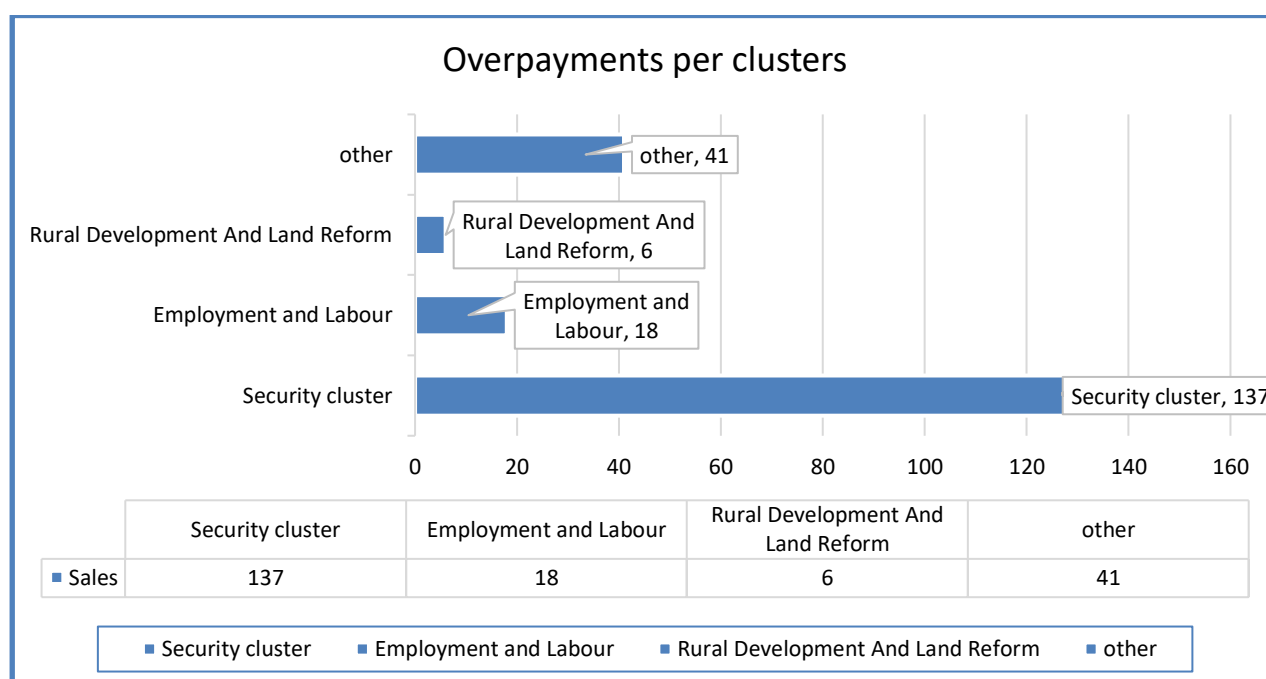
Operating lease overpayments

As disclosed in note 3 Receivables from exchange transactions (Prepaid expenses – leases), Overpayments made to landlords in terms of privately owned leased properties continued in the current year. Approximately R195 964 176 was paid in excess of the lease obligations for 202 lease agreements. Although a slight improvement has been realised in the current year, this remains an area of concern due to the financial losses, which result from overpayments. The graphic below shows the other of overpayments made throughout PMTE regions:



While the first graphic depicts that overpayments are being made across all regions, the second graphic shows that the financial impactful overpayments are being made in Pretoria region. Intervention is required to prevent ongoing overpayments, which are resulting in financial losses to the trading entity.

The graphic below further depict the clusters most susceptible or affected by these overpayments:



As depicted above, the security cluster private leased buildings continues to have a high proportion of the overpayments that are being made PMTE which makes up 68 % (137 overpayments out of 202 overpayments made in the current year under review).

The table below further shows the top five highest overpayments made in the year under review:

Archibus Asset	Supplier	Client Department	Region	Overpayment as at 31 March 2021
137842	Inospace	Environmental Affairs	CPT	21 833 790,51
138813	Rebosis Property Fund	Defence	PTA	12 132 447,75
138721	Downtown Investments	Employment and Labour	MTH	11 493 692,94
140227	Jr 209 Investments	Defence	PTA	9 641 657,62
138837	Rebosis Property Fund	South African Police Services	JHB	9 285 676,84
Total				64 387 265,66

Overpayments are mainly due to lease agreements with favorable escalation rates, monthly rentals etc. not captured accurately on Archibus and management overriding controls as such the trading entity continued to pay on higher rental amounts as compared to the favorable renewed lease agreements. We do note that a majority of the overpayment balance, which has accumulated over the years, is attributable to the old leasing system (PMIS) where automated system payments were processed as well as sundry payments for the same lease agreements on a monthly basis. The cumulative overpayment balance as at 31 March 2021 amounted to R 457 000 000.

This is an indication that the internal controls implemented by management such as performing regular reconciliations for lease payments in order to identify over/underpayments timely and respond effectively were not effective.

It is not evident that management's steps taken to recover these overpayments have been effective, as the overpayment balance has barely improved from the prior year. In fact, the cumulative overpayments have increased when one takes into account the credit notes, which were processed

by management and never interfaced with SAGE payment system to recover overpayments previously made to property owners. This remains a concern, as it negatively impacted the financial viability of the trading entity as at year-end as such overpayments could have been used to further reduce the overdraft facility balance.

Facility Management

Property Maintenance (Building conditions) Analysis

The purpose of the building condition analysis is to assess the condition of buildings occupied by the client departments. The condition of the building is considered important as these buildings are used to serve the community at large and the safety of officials is of great importance. PMTE has a responsibility of maintaining the buildings as there are the official custodian of these properties.

According to GIAMA sec 6(1), Immovable asset management plan state that “a custodian must:

- Prepare an immovable asset management plan, to be known as a custodian immovable asset management plan, in relation to all the immovable assets which are in its custody.”
- Prepare a user immovable asset management plan, which relates to all the immovable assets which the custodian uses or intends to use in support of its own service delivery objectives.”

Through inspection of the Deemed cost position paper, the assessment of the building condition are as follows:

No.	Condition grading	Percentage allocation
1	100% Excellent (no apparent defects/ as new)	100%
2	80% Good (minor defects, superficial wear)	80%
3	60% Fair (average condition, surface deterioration)	60%
4	40% Poor (serious structural defects)	40%
5	20% Very poor (unfit for occupancy)	20%

Buildings with an average condition of 40% or less is an indication that a maintenance is required. The poor condition of buildings is likely to pose a healthy and safely threats to officials occupying them. Structural defects associated with buildings that have an assessment of 40% or are less are as follows:

Condition as per Deemed Cost Model	Structure	External	Internal	Services	Fittings
Poor (40%) - Serious structural defects. Significant deterioration of structure and/or appearance. Significant impairment of functionality. Significant renewal/upgrade required.	Structure functioning but with problems due foundation movement . Some significant cracking.	Fabric damaged, weakened or displaced. Appearance affected by cracking, staining, overflows, or breakages. Breaches of weatherproofing evident. Coatings in need of heavy maintenance or renewal.	Fabric is badly damaged or weakened. Appearance affected by cracking, staining, leakage, or willful damage. Breaches of waterproofing . Finishes badly damaged, marked and in need of replacement.	Failures of plumbing electrical and mechanical components commonplace .	Fittings of poor quality and appearance , often inoperable and damaged.

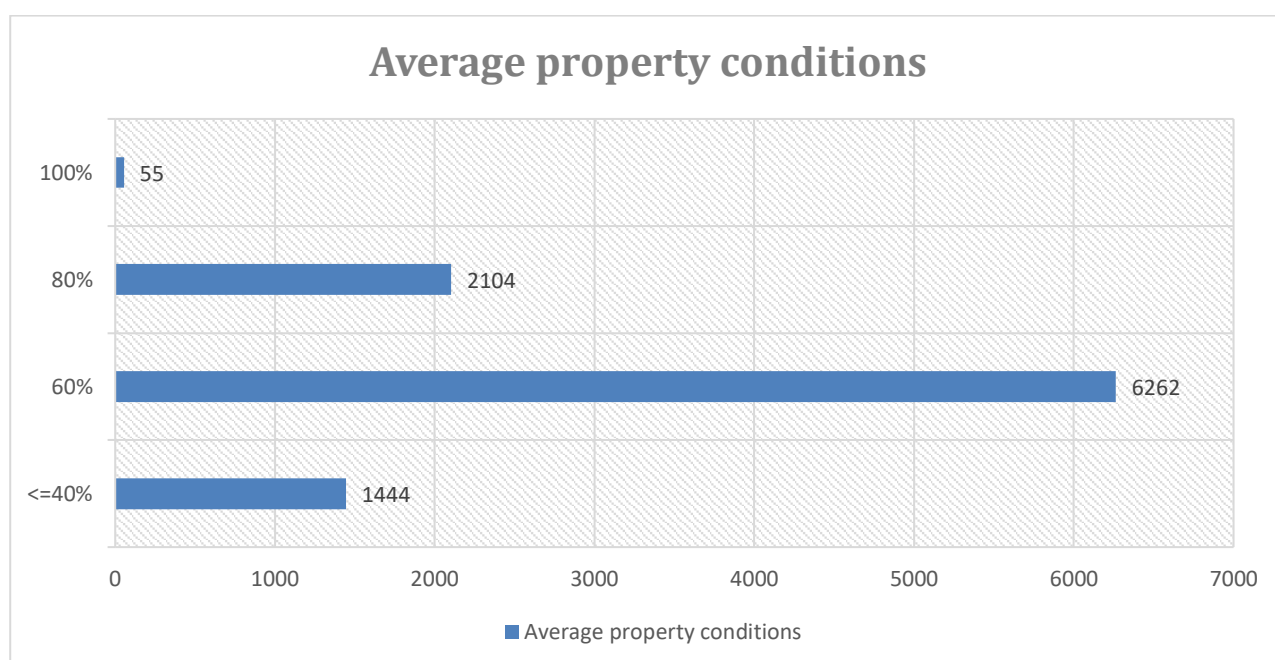


Condition as per Deemed Cost Model	Structure	External	Internal	Services	Fittings
Very Poor (20%) - Unfit for occupancy. Unsound, failed needs construction/replacement .	Structure has serious problems and concern is held for the integrity of the structure.	Fabric is badly damaged or weakened. Appearance affected by cracking, staining, overflows, leakage, or damage. Breaches of waterproofing. Coatings badly damaged or non-existent.	Fabric is badly damaged or weakened. Appearance affected by cracking, staining, leakage, or willful damage. Breaches of waterproofing . Finishes badly damaged, marked and in need of replacement.	Plumbing electrical and mechanical components are unsafe or inoperable.	Most are inoperable or damaged

Overall assessment of PMTE properties

We have evaluated the properties at the property code level to determine the average condition of properties. The property could have more than one buildings. As part of our assessment, we have then used the average condition of buildings within the property to determine the average condition of property. Refer to the table below:

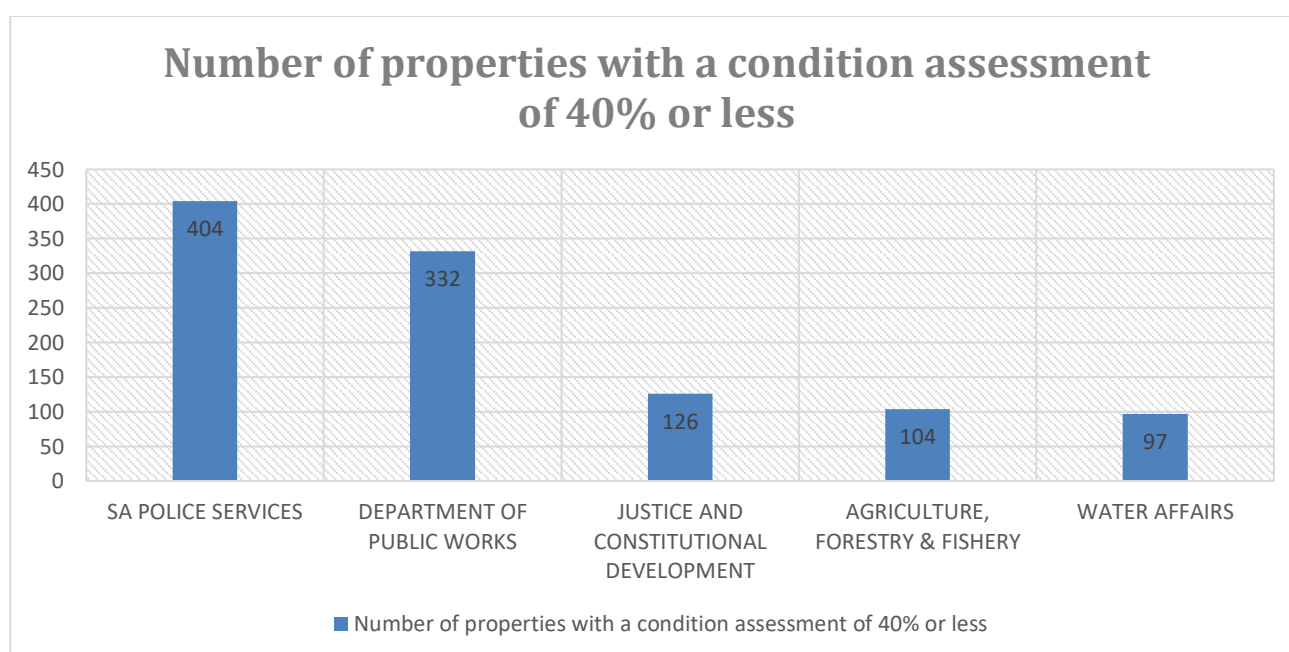
The total population of properties (property code) on the Immovable assets register (IAR) is 9 865 and the total buildings (building IDs) estimated to an amount of 81 713. The Pie chart shown below reflect on the number of properties as per the IAR as well as their conditional assessment percentage.



Based on the assessment above, 15% of properties have an average condition of 40% or less. This is concerning for the entity since the majority of properties are used by client departments to provide services to communities. The safety of officials and communities should be the main priority.

Furthermore, we noted a slow response by management completing assets under construction projects. This is supported by the significantly delayed project amounting to R3 524 210 000 (2020: R 1 966 030 000) disclosed on the annual financial statement.

We have analysed properties based on the user departments occupying them. The bar graph below show top five (5) user departments with the highest number of on properties with a conditional assessment of 40% or low. From the chart shown below, two departments from the Security cluster (South African police services & Justice and constitutional development) occupy properties with poor conditional assessment. Refer to the bar chart:



PMTE have not prioritised the refurbishment and/maintenance of their properties as required by GIAMA. This poses a threat to the life of occupant and can lead to litigation cases if the building collapse. Assets management plan should be developed and implemented to reduce buildings with poor conditional assessment.

Through inspection of the entity's budget allocation, we noted that PMTE is prioritising Real Estate Management services which is used to fund properties that the department leases from service providers (private landlords) in order to meet the needs of the user departments. This is rather concerning as it reveals that majority of the spending is not dedicated to maintenance of infrastructure as part of their mandate.

Furthermore, we noted that the entity allocated less funds to maintain their immovable assets. The impact of non-maintenance will result in the user department's failure to deliver services efficiently. The safety of the public will be compromised.

It is recommended that the above value add insights be prioritised by the accounting officer in order to prevent future financial losses which may emanate from the audit process of these sections and that corrective actions be taken to address the areas of weaknesses flagged above.

SECTION 8: RATINGS OF DETAILED AUDIT FINDINGS

120. For purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report: These matters should be addressed as a matter of urgency.
- Other important matters: These matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- Administrative matters: These matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

SECTION 9: CONCLUSION

121. The matters communicated throughout this report relate to the two fundamentals of internal control (Annual financial statements and Compliance with laws and regulations) that should be addressed to achieve sustained clean administration. Our staff remain committed to assist in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours faithfully



Corné Myburgh
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15 September 2021

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Audit committee
Head of internal audit unit
Executive authority

SECTION 10: SUMMARY OF DETAILED AUDIT FINDINGS




Refer to annexure A






ANNEXURE F: ASSESSMENT OF INTERNAL CONTROLS¹











Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:











	The required preventative or detective controls were in place.
	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

	Improved
	Unchanged
	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment			N/A			
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity			N/A	N/A		
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls			N/A	N/A		

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	☹	☹	N/A	N/A	☹	☹
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	☹	☹	N/A	N/A	☹	☹
• Develop and monitor the implementation of action plans to address internal control deficiencies	☹	☹	N/A	N/A	☹	☹
• Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance	☹	☹	N/A	N/A	☹	☹
Financial and performance management						
Overall movement from previous assessment	↔		N/A		↔	
• 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	☹	☹	N/A	N/A	☹	☹
• Implement controls over daily and monthly processing and reconciling transactions	☹	☹	N/A	N/A	☹	☹
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	☹	☹	N/A	N/A	☹	☹
• Review and monitor compliance with applicable legislation	☹	☹	N/A	N/A	☹	☹
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and IT service continuity	☹	☹	N/A	N/A	N/A	N/A
Governance						
Overall movement from previous assessment	↓		N/A		↓	

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
<ul style="list-style-type: none"> Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored 			N/A	N/A		
<ul style="list-style-type: none"> Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively 			N/A	N/A		
<ul style="list-style-type: none"> Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation 			N/A	N/A	