**ANNEXURE C: MATERIAL FINDINGS RELATING TO AUDIT OF PERFORMANCE INFORMATION**

**PROPERTY MANAGEMENT TRADING ENTITY**

**31 March 2016**

**CONTENT**

|  |  |
| --- | --- |
| **Section 1: Matrix** | **Page 2** |
| **Section 2: Detailed findings** | **Page 3** |

**SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS**

| **Page no.** | **Finding** | **Classification** | | | | | **Rating** | | | **Number of times reported in previous three years** | **Status of implementation of previous year(s) recommendation** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Misstatements in financial statements** | **Misstatements in annual performance report** | **Non-compliance with legislation** | **Internal control deficiency** | **Service delivery** | **Matters affecting the auditor’s report** | **Other important matters** | **Administrative matters** |
| **Audit of pre-determined objectives** | | | | | | | | | | | |
|  | COFF 22 New Indicators are not well defined due to exclusions of baselines in the Annual Performance Plan. |  |  |  | **X** |  | **X** |  |  | 2 | In progress |
|  | COFF 22 Short definitions not clear and no method of calculation for percentage indicators |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | COFF 26 Supporting documents not sufficient to support the reported result |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | COFF 28 Programme 3: Construction Project Management: Indicators not verifiable and targets not measurable. |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | Programme 3- sufficient to support the reported result COFF 72. |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | Programme 4- sufficient to support the reported result COFF 72 |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | AOPO: Portfolio of evidence insufficient to support the actual performance reported for 2015/16 in the APR for Programme 6: Facilities Management COFF 93 |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | Strategic objective are not reported in the Annual Performance Report COFF 61 |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  | Reasons for variances were not explained in the annual performance report for 2015/16 COFF 61 |  | **X** |  |  |  | **X** |  |  | 1 | In progress |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEXURE C: MATTERS AFFECTING THE AUDITOR’S REPORT**

Predetermined objective

1. **Short definitions not clear and no method of calculation for percentage indicators**

**Audit finding**

The Performance management and reporting framework issued by the National Treasury, which consists of the Framework for strategic plans and annual performance plans requires the following:

Programme performance indicators that are reliable, well defined, verifiable, cost effective, appropriate and relevant should be sought, with baseline information and targets expressed in terms of actual numbers. Performance targets should be SMART. The institution must have the management processes in place to collect the information required to track performance against each indicator.

Each objective should be written as a performance statement that is SMART and must set a performance target the institution can achieve by the end of the period of the Strategic Plan. The baseline and targets must be expressed in terms of numbers. If a percentage is used, then the absolute numbers must be presented as well.

Institutions are expected to state the present baseline in respect of each strategic objective and programme performance indicator. In most instances, the baseline is the level of performance recorded in the year prior to the planning period.

During our review of the Annual performance plan for 2015/16 (Technical description) the follow issues were identified:

Indicators/measures do not have a clear unambiguous definition and they are not defined so that data will be collected consistently refer to the table below

|  |  |
| --- | --- |
| **Programme 3 Construction** | |
| **Indicator title** | **Short definition** |
| Number of work opportunities created through construction projects (EPWP ) | The data from construction projects |
| Number of projects completed within agreed construction period | Rate of completion of projects |
| Number of projects completed within approved budget | Cost effectiveness in delivery of infrastructure projects |
| Number of projects in the current WCS project list cleared | Completion of building program |
| Number of construction contracts allocated towards BBBEE | Projects executed by BBBEE firms |
| Number of schools completed within planned construction period | A total of 919 schools will be beautified with the use of contractors appointed per cluster. |
| Number of Work Opportunities Created\* | Providing opportunities for the unemployed to contribute to the economy. |

|  |  |
| --- | --- |
| **PROGRAMME 4: REAL ESTATE MANAGEMENT** | |
| **Indicator title** | **Short definition** |
| Percentage occupancy rate increased for partially occupied property | The measure of growth in the utilization of partially occupied properties |
| Number of vacant land (Land Parcels) let out towards economic development initiatives | Development of vacant land parcels by private & public entities towards social-economic development initiatives |
| Number of surplus freehold office type properties let out for revenue generation | Measuring performance of the portfolio in relation to increasing revenue of office surplus properties |
| Number of surplus freehold residential properties let out for revenue generation | Measuring performance of the portfolio in relation to increasing revenue of residential surplus properties |
| Number of lease agreements reviewed according to the rental rate per square metre and escalations | Measuring performance of the portfolio in relation to lease agreements concluded and rental amounts saved |
| Percentage of leases renewed before expiry date | Measuring performance of the portfolio in relation to lease agreements concluded and renewal of lease agreements before the expiry date |
| Percentage of leased accommodation (lease in) provided within agreed time period | Measuring performance of the portfolio in relation to leased accommodation provided |
| Percentage of surplus freehold property allocated towards BBBEE | Surplus freehold property percentage allocated towards BBBEE compliant property developers |

|  |  |
| --- | --- |
| **PROGRAMME 6: FACILITIES MANAGEMENT** | |
| **Indicator title** | **Short definition** |
| Number of identified buildings with Facilities Management Contracts | Contracts signed off by the Facilities Practitioner for identified buildings |
| Reduction in kilowatt-hour (kWh) usage achieved on energy consumption | The indicator is measuring the kilowatt-hour (kWh) of electricity consumption in Government buildings |
| Reduction in kilolitre -(kl) usage achieved on water consumption | The indicator is measuring the water consumption in volumes. |
| Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days | Handling of incoming requests/complaints via telephone, emails and SMS’s from clients through a centralized help-desk |
| Number of work opportunities created through maintenance programmes (DPW’s EPWP Targets) | Enable creation of work opportunities through DPW/EPWP programme |
| Number of Building Management Systems installed | A computerized system that provides a single-point of managing all the building’s equipment(mechanical and electrical),energy management and environment |
| Percentage of Facilities Management contracts allocated towards BBBEE | Management contracts allocated in support of the BBBEE |

The method of calculation for indicators that are reported in percentages is not clear on how the percentage are calculated, i.e. the numerator and denominator. Refer to the table below

|  |  |  |
| --- | --- | --- |
| **PROGRAMME 6: FACILITIES MANAGEMENT** |  |  |
| **Indicator title** | **Short definition** | **Method of calculation** |
| Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days | Handling of incoming requests/complaints via telephone, emails and SMS’s from clients through a centralized help-desk | Turnaround time expressed as a percentage |
| Percentage of Facilities Management contracts allocated towards BBBEE | Management contracts allocated in support of the BBBEE | Amount spent on FM contract |

**Internal control deficiency**

## Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Recommendation**

Management should develop a policy to be implemented during strategic planning which will enforce thorough review of the annual performance plan and the strategic plan; this will also ensure designing of indicators and targets that only meet the criteria required by the National Treasury’s *Framework for managing programme performance information (FMPPI)*.

**Management response**

I am / not in agreement with the finding for the following reasons:

The Department did not have sufficient capacity in strategic planning to undertake the planning for PMTE. This is being addressed with the creation of a PMTE structure

There is a Policy in place however there is limited capacity in the Strategic Planning Unit in terms of enforcing the Policy

Name: Mr P Serote

Position: Head of PMTE

Date: 2016/03/04

**Auditor’s conclusion**

1. **Programme 3 - sufficient to support the reported result**

**Audit finding**

The Performance management and reporting framework issued by the National Treasury, which consists of the Framework for strategic plans and annual performance plans requires the following:

Programme performance indicators that are reliable, well defined, verifiable, cost effective, appropriate and relevant should be sought, with baseline information and targets expressed in terms of actual numbers. Performance targets should be SMART. The institution must have the management processes in place to collect the information required to track performance against each indicator.

During the audit of the 15/16 reported performance information,the following deviation was noted:

The portfolio of evidence submitted for audit is not valid and also inadequate to support the achievements reported for each indicator as a result this imposes a limitation on the audit therefore we could not confirm whether the reported performance is valid, accurate and complete

Programme 3: Construction project management

|  |  |  |
| --- | --- | --- |
| **Performance Indicator** | **Actual achievement** | **Comments** |
| Number of work opportunities created through construction projects (EPWP and other) | 11126 | Difficult to calculate total 11126 as the evidence provided includes list of beneficiaries which are not visible. There is no additional information provided to us to confirm whether a job opportunity was created. |
| Number of projects completed within agreed construction period | 125 | Only completion certificates were provided therefore we cannot confirm whether the projects were completed within agreed construction period .Additional information needs to be provided (List of projects reported and implementation plans). To enable us to assess whether the completed was completed within the agreed construction period. |
| Number of projects completed within approved budget | 109 | Expenditure report/progress payment reports were provided, a list of projects reported needs to be provided and additional information that will enable us to determine whether the project was completed within the approved budget |
| Number of projects in the current WCS project list cleared | 128 | Only site Hand Over Certificates were provided, (a list of projects reported needs to be provided. which agrees with the number reported in the annual performance report. |
| Percentage of construction contracts allocated towards BBBEE | 118% | BBBEE certificates were provided .No evidence was provided on how the 118% was determined and we could confirmation that contracts were allocated to a BBBEE compliance company as only BBBEE certificates were provided. Therefore additional evidence needs to be provided is List of projects awarded for BBBEEE & evidence that the contracts were awarded to these BBBEE. |

The entity does not have controls in place to ensure that actual achievements reported in the annual performance reports are supported by adequate portfolio of evidence.

This is due to the non-submission of valid and accurate portfolio of evidence from the various units to the Monitoring and Evaluation (M&E) unit.

A lack of adequate review of the portfolio of evidence by management and therefore the inability to timeously advise on any corrections if necessary.

The institution does not have management processes in place to collect the information required to track performance against each indicator.

This will result in a possible limitation of scope on accuracy, validity and completeness of reliability could not be tested satisfactory.

**Internal control deficiency**

Financial and Performance Management

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

**Recommendation**

The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual report is supported by adequate portfolio of evidence.

Management responsible for their respective sub-programme reporting should review the portfolio of evidence against the reported information before submitting the information to Monitoring and Evaluation branch

**Management response**

We are in agreement with the finding and the finding is being attended to.

**Auditor’s response**

1. **Programme 4- sufficient to support the reported result**

**Audit finding**

The Performance management and reporting framework issued by the National Treasury, which consists of the Framework for strategic plans and annual performance plans requires the following:

Programme performance indicators that are reliable, well defined, verifiable, cost effective, appropriate and relevant should be sought, with baseline information and targets expressed in terms of actual numbers. Performance targets should be SMART. The institution must have the management processes in place to collect the information required to track performance against each indicator.

During the audit of the 15/16 reported performance information,the following deviation was noted:

The portfolio of evidence submitted for audit is not valid and also inadequate to support the achievements reported for each indicator as a result this imposes a limitation on the audit therefore we could not confirm whether the reported performance is valid, accurate and complete.

Please refer below for the detail of performance indicators and targets affected by the above deviations:

Programme 4: Real Estate Management

|  |  |  |
| --- | --- | --- |
| **Performance Indicator** | **Actual achievement** | **Comment** |
| Percentage occupancy rate increased for partially occupied property | Measurement will only be determined once the occupancy rate has been established as the Asset register is being updated | When reporting on target the entity should reported as per the indicator, ie the indicator speaks about percentage of occupancy rate; therefore the actual result should be presented as such. |
| Number of vacant land (Land Parcels) let out towards economic development initiatives | 849 | Only a listing was provided therefore we could not determine whether the vacant land were let out towards economic development, additional supporting evidence must be provided |
| Number of surplus freehold office type properties let out for revenue generation | 46 Surplus freehold office type properties let out | No listing was provided and only 14 contract were submitted as supporting evidence |
| Number of surplus freehold residential properties let out for revenue generation | 7 | No listing was submitted with the contracts, supporting the actual performance |
| Number of lease agreements reviewed according to the rental rate per square metre and escalations | 646 | Only listings was provided therefore we could not determine whether lease agreements were reviewed according to the rate per square metre and escalations |
| Percentage of leases renewed before expiry date | 80.19% (518 of 646) | Only 21 new contracts were submitted and therefore we could not determine whether the leases were renewed before expiry date. Additional a listing supporting the reported number must be submitted together with the evidence |
| Percentage of leased accommodation (lease in) provided within agreed time period | The leasing procurement policy is being reviewed by National Treasury and the agreed timeframes will only be applicable once the policy is finalised | When reporting on target it should be reported as per indicator , ie the indicator speaks about percentage of leased accommodation (lease in), therefore the actual result should be presented as such. |
| Percentage of surplus freehold property allocated towards BBBEE | 50.9% (27 of 53) | Only 13 lease contracts were submitted however we could not determine whether it was allocated to a BBBEE company because as no BBBEE certificate were submitted |

The entity does not have controls in place to ensure that actual achievements reported in the annual performance reports are supported by adequate portfolio of evidence.

This is due to the non-submission of valid and accurate portfolio of evidence from the various units to the Monitoring and Evaluation (M&E) unit.

A lack of adequate review of the portfolio of evidence by management and therefore the inability to timeously advise on any corrections if necessary.

The institution does not have management processes in place to collect the information required to track performance against each indicator.

This will result in a possible limitation of scope on accuracy, validity and completeness of reliability could not be tested satisfactory.

**Internal control deficiency**

Financial and Performance Management

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

**Recommendation**

The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual report is supported by adequate portfolio of evidence.

Management responsible for their respective sub-programme reporting should review the portfolio of evidence against the reported information before submitting the information to Monitoring and Evaluation branch.

**Management Response**

Management agrees with the findings and has thus far submitted updates on reported figures and supplied all requested information by the AGSA resource allocated to the branch.

Divisional Head:REMS: Mandla Sithole

**Auditor’s conclusion**

1. **AOPO: Portfolio of evidence insufficient to support the actual performance reported for 2015/16 in the APR for Programme 6: Facilities Management COFF 93**

**Audit finding**

The Performance management and reporting framework issued by the National Treasury, which consists of the Framework for strategic plans and annual performance plans requires the following:

Programme performance indicators that are reliable, well defined, verifiable, cost effective, appropriate and relevant should be sought, with baseline information and targets expressed in terms of actual numbers. Performance targets should be SMART. The institution must have the management processes in place to collect the information required to track performance against each indicator.

During the audit of the reported programme performance information as disclosed in the Annual Report for 2015/16,the following deviations were noted:

The portfolio of evidence submitted for audit is not inadequate, to support the annual actual achievement reported for each performance indicator listed below in the APR for 2015/16, and as a result this imposes a limitation of scope on the audit since we could not confirm whether the actual performance reported is valid, accurate and complete.

Please refer below for the detail of the performance indicators, actual achievements and planned annual targets as per APR 2015/16 affected by the above deviations:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PMTE - Programme 6: Facilities Management** | | | | | |
| **Sub Programmes: Scheduled maintenance and unscheduled maintenance management** | | | | | |
| **Performance Indicator** | **Planned Annual Target 2015/16  as per APR** | **Actual Achievement 2015/16  as per APR (***Actual Performance Reported***)** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on Deviations** | **Auditor's Response** |
| Number of identified buildings with Facilities Management Contracts. | 300 identified buildings with Facilities Management Contracts. | 718 identified buildings with Facilities Management Contracts. | Target Achieved | No Comment on Deviation | When we casted the list provided, it does not agree to 718 reported in the annual report. Additionally only listing was provided and no facility management contracts, were provided. Therefore we could not determine whether the reported result is valid ,accurate or complete |
| Reduction in kilowatt-hour (Kwh) usage achieved on energy consumption. | 220,000,000.00 | 284,410,947.60 | Target Achieved | No Comment on Deviation | The cumulative total Energy savings (Kwh) progress reports submitted could not be linked to energy savings reported since there is no listing of energy savings per region consolidated to clearly indicate the total reduction in kilowatt-hour (Kwh) usage achieved on energy consumption for all regions. POEs submitted for audit does not reconcile to actual achievement reported in the APR for 2015/16. Additionally invoices where savings can be clearly recalculated were not provided. |
| Reduction in kilolitre - (kl) usage achieved on water consumption. | 3,905,528 (kl) | 4,090,865 (kl) | Target Achieved | No Comment on Deviation | The cumulative total Water savings (kl) progress reports submitted could not be linked to water savings reported since there is no listing of water savings per region consolidated to clearly indicate the total reduction in Kilolitre (kl) usage achieved on water consumption for all regions. POEs submitted for audit does not reconcile to actual achievement reported in the APR for 2015/16. Additionally invoices where savings can be clearly recalculated were not provided. |
| Number of work opportunities created through maintenance programmes (DPW's EPWP Targets). | 5000 work opportunities created. | 3269 work opportunities created. | Target Not Achieved | Facilities Management will engage EPWP for assistance in managing the process of creation of work opportunities. | POEs submitted for audit such as contracts of employment, attendance registers, list of EPWP participants and IDs did not linked and/or reconciled to actual achievement reported in the APR for 2015/16, being the 3269 total number of work opportunities created through maintenance programmes  (DPW's EPWP targets). Additionally a clear listing of beneficial from EPWP work opportunities created through maintenance programmes consolidated for all of the regions which indicate the name, surname and ID number of the person for whom the work opportunity was created was not submitted |
| Percentage of Facilities Management contracts allocated towards BBBEE. | 65% | 82% | Target Achieved | No Comment on Deviation | The numerate and dominator used to calculate the percentage reported is not clearly stated and POEs submitted for audit does not reconcile to actual achievement reported in the APR for 2015/16. Additionally Facility management contracts were not submitted. And a clear listing of Facilities Management contracts allocated towards BBBEE consolidated for all regions was not submitted |

* The department does not have controls in place to ensure that actual achievements reported in the quarterly reports and annual performance report (APR) for 2015/16 are supported by adequate sufficient appropriate portfolio of evidence.
* This is due to the non-submission of valid, accurate and complete portfolio of evidence from the various units to the Monitoring and Evaluation (M&E) unit.
* Insufficient portfolio of evidence was therefore submitted for audit with regards to these performance indicators to support the annual actual achievement reported in the APR for 2015/16. The auditor was not able to verify whether actual performance reported in the APR for 2015/16 (actual achievements) is valid, accurate and complete.
* A lack of adequate review of the portfolio of evidence by management and therefore the inability to timeously advise on any corrections if necessary.

Impact of the finding:

* Non-compliance with the National Treasury Framework for Managing Programme Performance Information (FMPPI).
* The actual reported performance information (actual achievements for 2015/16) as contained in the annual performance report could thus not be verified for the validity, accuracy and completeness thereof, hence the actual achievements for 2015/16 may be

**Internal control deficiency**

Financial and performance management

The department did not review and monitor compliance with applicable legislation.

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

**Recommendation**

The department should implement processes to ensure that actual achievements reported on the quarterly reports and ultimately the annual performance report (annual report 2015/16) is supported by adequate portfolio of evidence.

Managers responsible for their respective sub-programme reporting should be held accountable for the reporting requirements against the relevant planned annual target.

Management responsible for their respective sub-programme reporting should review the portfolio of evidence against the reported actual performance information before submitting the information to Monitoring and Evaluation branch.

**Management response**

No management comments was received

**Auditor response**

1. **Strategic objective are not reported in the Annual Performance Report**

**Audit finding**

Treasury Regulation 5.2.4 requires the strategic plan & annual performance plan to form the basis for the annual report (annual performance report), therefore requiring consistency of strategic objectives, performance indicators and planned annual targets between planning and reporting documents

It was noted that the following strategic objectives were not reported in the annual performance report:

|  |  |  |
| --- | --- | --- |
| **Planned programmes** | **Planned objectives (As per the Annual performance plan)** | **Reported objectives( As per the Annual performance report)** |
| PROGRAMME 6: FACILITIES MANAGEMENT | To ensure the scheduled maintenance of freehold property | Not reported |
| To ensure energy and water efficiency in freehold property | Not  Reported |
| To repair key components and undertake unscheduled maintenance for freehold property | Not  Reported |

|  |  |  |
| --- | --- | --- |
| **Planned programmes** | **Planned objectives** | **Reported objectives** |
| PROGRAMME 4: REAL ESTATE MANAGEMENT | To optimally utilize freehold property for User Departments and Government Strategic priorities | Not reported |
| To let out surplus freehold property for revenue | Not  Reported |
| To manage and procure leasehold property for user department needs | Not  Reported |

|  |  |  |
| --- | --- | --- |
| **Planned programme** | **Planned objectives** | **Reported objectives** |
| Programme 3 Construction project Management | To ensure delivery of new and refurbished buildings through construction project management | Not  Reported |

The cause of this finding is that the annual performance report was not based on the annual performance plan

The impact of this finding:

Non–compliance with the National Treasury Framework for Managing Programme Performance Information.

**Recommendation**

We recommend that the department adjust the annual performance report to ensure that it aligned to the annual performance plan.

**Management response**

The strategic objectives per programme have now been reported in the 2015/16 Annual Performance Report

**Auditor’s conclusion**

1. **Reasons for variances were not explained in the annual performance report for 2015/16 COFF 61**

**Audit finding**

The National Treasury *Guide for the preparation of the annual report* requires that explanations for variances between the planned and reported (actual) targets should be provided in all instances and should also be supported by adequate and reliable corroborating evidence.

Reasons were not provided for variances between planned and reported (actual) targets in the annual performance report relating to the following programmes and indicators:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sub Programmes 4: Management of Freehold Property, Land Administration and Management, Surplus Freehold (Revenue) Management and** | | | | | |
| **Leasehold Management** | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Number of Lease Agreements reviewed according to the rental rate per square meter and escalations | - | 500 | 646 | Target Achieved | - |
| Percentage of leases renewed before expiry date | 37% (16 of 43) of leases for 2014/15 signed within 30 days after finalisation of open bid | 75% | 80.19% (518 of 646) | Target Achieved | - |
| Percentage of surplus freehold property allocated towards BBBEE | - | 10% of 3000 (300) | 50.9% (27 of 53) | Target Achieved | - |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme: Facilities Management** | | | | | |
| **Sub Programmes: Scheduled and unscheduled Maintenance** | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Number of identified buildings with Facilities Management Contracts | No Outcome-based Facilities Management contracts were signed by the Project Manager | 300 identified buildings with Facilities Management Contracts | 718 identified buildings with Facilities Management Contracts | Target Achieved | No Comment on Deviation |
| Reduction in kilowatt-hour (Kwh) usage achieved on energy consumption | 9 429 Buildings retrofitted with Energy efficiency installations | 220,000,000.00 | 284,410,947.60 | Target Achieved | No Comment on Deviation |
| Reduction in kiloliter -(kl) usage achieved on water consumption | 11 Buildings retrofitted with water savings installations generating an income of R1,914,973.78 | 3,905,528 (kl) | 4,090,865 (kl) | Target Achieved | No Comment on Deviation |
| Percentage of Facilities Management contracts allocated towards BBBEE | - | 65% | 82% | Target Achieved | No Comment on Deviation |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 3: Construction Project Management** | | | | | |
| **Sub Programmes: Construction Project Planning, Construction Project Management and Special Projects** | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Number of projects completed within agreed construction period | - | 62 | 125 | Target Achieved | - |
| Number of projects completed within approved budget | - | 77 | 109 | Target Achieved | - |

There cause of this finding is that there are no reasons for variances between the target and the actual performance report

**Internal control deficiency**

Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Recommendation**

Management must ensure that all variances between the planned and reported (actual) targets reasons are documented in the annual report.

**Management response**

The use of term contracts in the delivery of facilities management related services allows controlled management of contractors by identified services for specific facilities, buildings and sites. Variances of actual versus targets are reported quarterly to allow management to take corrective action.

Documentation of the variances does take place with adequate support in the form of portfolio of evidence (PoEs) where required. Management within the FM branch are in the process of improving the process of reporting in this still immature branch through better reporting templates, centralised PoE storage of scanned copies and improved communication with the regions. As the FM branch matures, management is confident that the reporting process will mature and subsequently improve.

**Auditor’s conclusion**

1. **Supporting document for the reasons for variances were not provided**

**Audit finding**

The National Treasury Guide for the preparation of the annual report requires that explanations for variances between the planned and reported (actual) targets should be provided in all instances and should also be supported by adequate and reliable corroborating evidence.

Adequate and reliable corroborating evidence was not provided for all comments on deviations documented in the annual performance report for the following material programmes:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme 3: Construction Project Management** | | | | | |
| **Sub Programmes: Construction Project Planning, Construction Project Management and Special Projects** | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Number of work opportunities created through construction projects (EPWP and other) | - | 15 000 | 11 126 | Target Not Achieved | The system to collect and process information was fully implemented in the 3rd quarter |
| Number of projects in the current WCS project list cleared | - | 271 | 128 | Target Not Achieved | Delays within the construction value chain and updating of the system are major contributing factors for backlog.  In the process of creating a dedicated capacity to clear projects and update the system |
| Percentage of construction contracts allocated towards BBBEE | - | 35% (23 of 65) construction contracts allocated towards BBBEE | 118% (77 of 65) | Target Achieved | Target over-achieved owing to continuous monitoring of performance and implementation of turnaround strategy |
| Number of schools completed within planned construction period | 0 Schools constructed as prioritised by the Department of Basic Education | 774 | 0 | Target Not Achieved | Challenges experienced in getting approval of assessment reports and Bills of Quantity from DBE. Therefore the School Beatification Programme could not continue as DBE was expected to approve assessment report as well as funds |
| Number of Work Opportunities Created |  | 3870 | 0 | Target Not Achieved | As a result of non-approval of the reports and BoQs no recruitment of EPWP workers for School Beautification Programme was made. However, it has been noted that information reported in Q3 was erroneously reported as it belongs to the Bridges Programme |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sub Programmes: Management of Freehold Property, Land Administration and Management, Surplus Freehold (Revenue) Management and** | | | | | |
| **Leasehold Management**  **Programme 4: Real Estate Management** | | | | | |
|  | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Percentage occupancy rate increased for partially occupied property. | - | 5% (National Target) | Measurement will only be determined once the occupancy rate has been established as the Asset register is being updated | Target Not Achieved | Measurement will only be determined once the occupancy rate has been established as the Asset register is being updated |
| Number of vacant land (land Parcels) secured to let out towards Economic Development Initiatives | - | 100 | 849 | Target Achieved | The increase was due to the 2nd NT Dispensation on renewal of leases. |
| Number of surplus freehold office type properties let for revenue generation | - | 100 Surplus freehold office type properties let out (National Target) | 46 Surplus freehold office type properties let out | Target Not Achieved 54 Surplus freehold office type properties not let out | Limited advertising of state owned properties Launching and implementation of National Treasury online state owned property listing services to advertise and facilitate the letting out of state properties to private sector |
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| Number of surplus freehold residential properties let out for revenue generation | - | 500 | 7 | Target Not Achieved 493 surplus freehold residential properties not let out for revenue generation | Many offers received from private sector were unsolicited bids.  Launching and implementation of National Treasury online state owned property listing services to advertise and facilitate the letting out of state properties to private sector |
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| Percentage of Leased Accommodation (lease in) provided within agreed time frame | - | 50% | The leasing procurement policy is being reviewed by National Treasury and the agreed timeframes will only be applicable once the policy is finalised | Target Not Achieved | The leasing procurement policy is being reviewed by National Treasury and the agreed timeframes will only be applicable once the policy is finalised |

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| **Programme 6: Facilities Management** | | | | | |
| **Sub Programmes: Scheduled and unscheduled Maintenance** | | | | | |
| **Performance Indicator** | **Actual Achievement 2014/15** | **Planned Annual Target 2015/16** | **Actual Achievement 2015/16** | **Deviation from Planned Annual Target to Actual Achievement 2015/16** | **Comments on deviations** |
| Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days | 18% (9 680 closed against open calls) Breakdowns completed within agreed timeframe after logging of complaint | 65% | 5% (253 of 5553) | Target Not Achieved 60% | This indicator was adopted without assessing historical data and trends. Now that the accurate data is available it is clear that targets are currently unachievable. New measures and targets on this indicator are being developed |
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| Number of work opportunities created through maintenance programmes (DPW’s EPWP Targets) | - | 5000 work opportunities created | 3269 work opportunities created | Target Not Achieved | Facilities Management will engage EPWP for assistance in managing the process of creation of work opportunities |
| Number of Building Management Systems (BMS )installed | - | 3 | 2 | Target Not Achieved The installation of Building Management Systems (BMS) requires extensive planning and an adequate budget. Only 2 were achieved through the Agrivaal upgrade and the acquisition of Telkom Towers | The installation of BMS considered as part of the roll-out of the ICT solutions. |
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**Internal control deficiency**

Financial and performance management

The department did not review and monitor compliance with applicable legislation

**Recommendation**

Management must ensure that reasons variances between the planned and reported (actual) targets should be supported by adequate and reliable corroborating evidence.

**Management response**

Management is aware of the current immature status of the FM branch which has resulted in in a below than accepted standard of supporting documents related to variances reporting. Actions are in place to align regions with the actual results reported that require submission with correct PoEs (portfolio of evidence). FM management is confident that as the FM branch matures, the reporting mechanism around actual versus target coupled with associated PoEs will improve.

Name: Lwazi Mahlangu

Rank : Chief Director

Date : 07 July 2016

**Auditor’s conclusion**