**DETAILED AUDIT FINDINGS**

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

Property, Plant and Equipment

1. **Immovable Assets: Property reports from Light-stone**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.

All the property reports received for audit purposes that support the deemed cost values assigned to immovable assets contains the following disclaimer:

*“Please note that Lightstone obtains data from a broad range of 3rd party sources and – despite the application of proprietary data cleaning processes – cannot guarantee the accuracy of the information provided in this report. It is expressly recorded that information provided in this report is not intended to constitute legal, financial, accounting, tax, investment, consulting or other professional advice. This report does not contain any confidential information relating to the property owner or any owners residing in the suburb. All bond, home loan and property registration information in the reports is from the Deeds Office where information on all property registrations, property transfers as well as all registered bonds / home loans are kept. This is public domain information and accessible by any person.”*

Based on the above disclaimer the reports cannot be relied on as sufficient and appropriate audit evidence because the accuracy of the information cannot be guaranteed and It is expressly recorded that information provided in these reports is not intended to constitute legal, financial, accounting, tax, investment, consulting or other professional advice.

The information contained in the reports is not necessarily accurate and cannot be relied on as sufficient and appropriate evidence resulting in the limitation of scope on the audit.

Therefore we cannot rely on the value of R42 250 912 186 assigned to the immovable assets as deemed cost.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should ensure that the information used to support the deemed costs for the immovable assets is reliable information that has no negative disclaimer.

**Management response**

I am not in agreement with the finding for the following reasons (and supply the following/attached information in support of this):

This is a standard disclaimer clause, which most corporates use when they provide information/ data. Through the process of developing the model management tested whether the Lightstone values are in line with the Municipal Valuation Roll Values and per the table below they found that reliance can be placed on the Lightstone reports. It should further be noted that the Valuations Unit within DPW, also further places reliance on Lightstone for property transaction purposes. Finally major Banks and Financial intuitions also make use of Lightstone when determining lending criteria and the granting of bonds.

Lightstone obtains their Municipal Valuation Roll values from published Municipal Valuation Rolls from the respective municipalities. The example below refers:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **IAR NUMBER** | **Unique Property Code** | **Property Description** | **Registered Owner  (as per deeds/aktex)** | **MVR evidence** | **Lightstone Reference number** | **MVR/Ligtstone value** |
| 40859 | 1321841 | ERVEN 1063 PORTION 0 OF BOKSBURG NORTH EXT | REPUBLIC OF SOUTH AFRICA | ERF 1063\_0\_BOKSBURG NORTH | 10150568 | R 430 000.00 |
| 40858 | 1325541 | ERVEN 1064 PORTION 0 OF BOKSBURG NORTH EXT | REPUBLIC OF SOUTH AFRICA | ERF 1064\_0\_BOKSBURG NORTH | 13437343 | R 430 000.00 |
| 40612 | 1376241 | ERVEN 1135 PORTION 0 OF BOKSBURG NORTH EXT | REPUBLIC OF SOUTH AFRICA | ERF 1135\_0\_BOKSBURG NORTH | 14442368 | R 310 000.00 |
| 15592 | DEEDS138261 | ERVEN 1151 PORTION 0 OF HLANGANANI | REPUBLIEK VAN SUID-AFRIKA | erf 1151\_0\_Hlanganani | 13130696 | R 40 000.00 |
| 15595 | DEEDS138264 | ERVEN 1154 PORTION 0 OF HLANGANANI | REPUBLIEK VAN SUID-AFRIKA | erf 1154\_0\_Hlanganani | 14009998 | R 40 000.00 |
| 15596 | DEEDS138265 | ERVEN 1155 PORTION 0 OF HLANGANANI | REPUBLIEK VAN SUID-AFRIKA | erf 1155\_0\_Hlanganani | 11908026 | R 40 000.00 |
| 15599 | DEEDS138268 | ERVEN 1158 PORTION 0 OF HLANGANANI | REPUBLIEK VAN SUID-AFRIKA | erf 1158\_0\_Hlanganani | 11013299 | R 40 000.00 |
| 13977 | 159641 | ERVEN 17 PORTION 0 OF BRYNTIRION | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFR | erf 17\_0\_Bryntirion | 11085896 | R 920 000.00 |
| 3045 | 1340761 | ERVEN 1720 PORTION 0 OF DUNNOTTAR | REPUBLIEK VAN SUID-AFRIKA | ERF 1720\_0\_DUNNOTTAR | 12015573 | R 230 000.00 |
| 14029 | 1311681 | ERVEN 23 PORTION 0 OF DUNNOTTAR | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFR | ERF 23\_0\_DUNNOTTAR | 12572363 | R 200 000.00 |
| 5399 | 160791 | ERVEN 25 PORTION 0 OF BRYNTIRION | REPUBLIEK VAN SUID-AFRIKA | erf 25\_0\_Bryntirion | 14214611 | R 2 800 000.00 |
| 6718 | 2659281 | ERVEN 256 PORTION 0 OF BOKSBURG NORTH | REPUBLIC OF SOUTH AFRICA | ERF 256\_0\_BOKSBURG NORTH | 10279394 | R 1 620 000.00 |
| 41798 | 3120101 | ERVEN 28 PORTION 0 OF BRYNTIRION | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFR | erf 28\_0\_Bryntirion | 14036966 | R 20 000.00 |
| 39332 | 1449621 | DREAMLAND AGRICULTURAL HOLDINGS 5 PORTION 0 | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFR | Erf 5\_0\_DREAMLANDS | 10911882 | R 75 000.00 |
| 14011 | 1311731 | ERVEN 55 PORTION 0 OF DUNNOTTAR | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFR | ERF 55\_0\_DUNNOTTAR | 10781241 | R 200 000.00 |
| 12445 | 588251 | ERVEN 334 PORTION 0 OF HOPETOWN | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA | ERF334\_0\_HOPETOWN | 11247207 | R 100.00 |
| 12455 | 555302 | ERVEN 336 PORTION 0 OF HOPETOWN | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA | ERF336\_0\_HOPETOWN | 10184669 | R 100.00 |
| 12446 | 578411 | ERVEN 480 PORTION 0 OF HOPETOWN | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA | ERF480\_0\_HOPETOWN | 12497205 | R 100.00 |
| 9343 | 1001981 | ERVEN 3585 PORTION 0 OF NEWCASTLE EXT 12 | R S A | erf 3585\_0\_Newcastle | 12195537 | R 500 000.00 |
| 3181 | 872891 | ERVEN 168 PORTION 0 OF GRAHAMSTOWN | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA | ERF 168\_0\_GRAHAMSTOWN | 13916904 | R 339 000.00 |
| 9313 | 1001671 | ERVEN 3586 PORTION 0 OF NEWCASTLE EXT 12 | R S A | erf 3586\_0\_Newcastle | 14119977 | R 500 000.00 |
| 9314 | 984021 | ERVEN 3587 PORTION 0 OF NEWCASTLE EXT 12 | R S A | erf 3587\_0\_Newcastle | 11267574 | R 470 000.00 |
| 9315 | 984031 | ERVEN 3592 PORTION 0 OF NEWCASTLE EXT 12 | R S A | erf 3592\_0\_Newcastle | 11848406 | R 500 000.00 |
| 9341 | 984081 | ERVEN 3595 PORTION 0 OF NEWCASTLE EXT 12 | R S A | erf 3595\_0\_Newcastle | 11478911 | R 490 000.00 |
| 3182 | 908971 | ERVEN 169 PORTION 0 OF GRAHAMSTOWN | NATIONAL GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA | ERF 169\_0\_GRAHAMSTOWN | 11205429 | R 352 000.00 |
| 3151 | 1376831 | ERVEN 4866 PORTION 0 OF GRAHAMSTOWN | REPUBLIEK VAN SUID-AFRIKA | ERF 4866\_0\_GRAHAMSTOWN | 14376420 | R 327 000.00 |
| 3178 | 887471 | ERVEN 4967 PORTION 0 OF GRAHAMSTOWN | REPUBLIEK VAN SUID-AFRIKA | ERF 4967\_0\_GRAHAMSTOWN | 11217861 | R 1 638 800.00 |
| 3149 | 3087611 | ERVEN 8033 PORTION 0 OF GRAHAMSTOWN | REPUBLIEK VAN SUID-AFRIKA | ERF 8033\_0\_GRAHAMSTOWN | 11817671 | R 1 105 300.00 |
| 15293 | DEEDS15406 | ERVEN 8035 PORTION 0 OF GRAHAMSTOWN | REPUBLIEK VAN SUID-AFRIKA | ERF 8035\_0\_GRAHAMSTOWN | 13845358 | R 2 467 000.00 |
| 3560 | 863871 | ERVEN 7325 PORTION 0 OF UITENHAGE | REPUBLIEK VAN SUID-AFRIKA | Erf 7325\_0\_Uitenhage | 12793786 | R 530 000.00 |

The sales comparative figure that Lightstone uses are average sales values for properties within a certain area, with the same zoning and characteristics. This sales data is directly obtained from the deeds office, which Lightstone then uses as part of their sales comparative model. Please refer to the attached Lightstone report 36 197 (Erf 298 FAURESMITH KOPANONG LOCAL MUNICIPALITY FREESTATE), with accompanied aktexes supporting the average sales comparison values.

Name: Siboniso Sokhela

Position: Director - REIRS

Date: 31 March 2016

**Auditor’s conclusion**

Management’s comments are noted.

ISA 500 states that when designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence.

Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.

The quantity of audit evidence needed is affected by the auditor’s assessment of the risks of misstatement and also by the quality of such audit evidence.

Obtaining more audit evidence, however, may not compensate for its poor quality.

We were unable to rely solely on the data obtained from Lightstone without performing additional procedures due to the following:

* Management could not demonstrate that they have evaluated the adequacy of the process followed at Lightstone regarding the collation, completeness, accuracy and the overall integrity of the data.
* Lightstone delivers an automated valuation model (AVM), a mathematically based computer software model/program which produces estimated market value through mathematical modeling.
* The use of automated valuation methods is strictly limited in practice to residential properties predominantly in mortgage applications, use in comparable sales models and repeat sales models, because very little is known about the accuracy of AVM methodologies beyond the use in residential assessments and for mortgage security purposes.

As a result of the above limitation, alternative procedures were designed and communicated to management.

The auditors would source valuation rolls directly from the municipalities and compare these to the deemed cost assigned to the assets by management at the date of transfer.

On the 7th of June 2016 a meeting was held with management to provide additional information to the auditors regarding the valuation methods. It was communicated to management that the split between the different valuation methods is required to perform the alternative procedure of agreeing the asset register values to municipal valuation rolls.

The initial asset register provided by management to perform this procedure had errors whereby in some instances multiple valuation methods were applied to a single property. This deficiency was communicated formally to management in writing and management was afforded an opportunity to correct the errors.

Audit work performed on the final submitted asset register identified material differences between the values assigned by management and the auditors’ values.

On communication of these errors to management, it was indicated that the deemed cost assigned per asset in the asset register also includes work-in progress. This was not documented in the fair value position communicated and it was further not highlighted to the auditors when the asset register was resubmitted after the correction of errors.

Thus, we were unable to obtain sufficient and appropriate audit evidence from the alternative procedures.

The matter remains as a material limitation and will be communicated as such in the audit report.

1. **Immovable Assets: Inappropriate audit evidence (COFF 37)**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.

It was noted that the report date of the Lightstone property comparable sales price average is not on the 1 April 2013 as this is the effective date of transfer. There is no indication of the validity of Lightstone comparable sale price average on the effective date of transfer.

The following Lightstone document dates were verified:

| **Property code** | **Property description** | **Source** | **Site ID** | **Lightstone Tracking no** | **Report Date** |
| --- | --- | --- | --- | --- | --- |
| 1341461 | ERVEN 1969 PORTION 0 OF HIGHLANDS NORTH EXT 3 | 3. EY\_Compareble Sale Price Average | 100000010459 | 10808928 | 2015-11-17 |
| 378071 | ERVEN 299 PORTION 0 OF CAPITAL PARK | 3. EY\_Compareble Sale Price Average | 100000010575 | 13367406 | 2015-11-16 |
| 378981 | ERVEN 156 PORTION 0 CAPITAL PARK | 3. EY\_Compareble Sale Price Average | 100000010577 | 13576187 | 2015-11-17 |
| 381581 | ERVEN 151 PORTION 0 CAPITAL PARK | 3. EY\_Compareble Sale Price Average | 100000010583 | 12580507 | 2015-11-16 |
| 435301 | FARM 296 PORTION 71 OF JR-ZEEKOEGAT | 3. EY\_Compareble Sale Price Average | 100000010612 | 15385205 | 2015-11-17 |
| 490221 | LYTTELTON AGRICULTURAL HOLDINGS EXT 1 287 PORTION 0 | 3. EY\_Compareble Sale Price Average | 100000010451 | 11018534 | 2015-11-17 |
| 458251 | WATERVAL SMALL HOLDINGS 24 PORTION 1 | 3. EY\_Compareble Sale Price Average | 100000010492 | 14332580 | 2015-11-17 |
| 1443401 | FARM 385 PORTION 1 OF IS-RIVERSDALE | 3. EY\_Compareble Sale Price Average | 100000010608 | 12132095 | 2015-11-16 |
| 466591 | ERVEN 743 PORTION 2 OF ARCADIA | 3. EY\_Compareble Sale Price Average | 100000010740 | 12895614 | 2015-11-16 |
| 466061 | ERVEN 16 PORTION 0 OF DASPOORT ESTATE | 3. EY\_Compareble Sale Price Average | 100000010750 | 11626491 | 2015-11-18 |
| D\_3132013\_10442 | FARM 600 PORTION 0 OF CRADOCK RD-CRADOCK RD | 3. EY\_Compareble Sale Price Average | 100000047758 | 15750381 | 2015-11-16 |
| DEEDS32081 | FARM 236 PORTION 0 OF TARKA RD-STANFORD PARK | 3. EY\_Compareble Sale Price Average | 100000019900 | 9574545 | 2015-11-18 |
| D\_3132013\_10424 | FARM 527 PORTION 31 OF CRADOCK RD-VAN STADENS DAM | 3. EY\_Compareble Sale Price Average | 100000047753 | 12340758 | 2015-11-17 |
| D\_3132013\_161889 | FARM 54 PORTION 16 OF IP-RIETFONTEIN | 3. EY\_Compareble Sale Price Average | 100000047982 | 9083788 | 2015-11-17 |
| 871051 | FARM 328 PORTION 0 OF ALEXANDRIA RD-MAINFOR | 3. EY\_Compareble Sale Price Average | 100000018118 | 15296937 | 2015-11-16 |
| 906301 | FARM 396 PORTION 0 OF KNYSNA RD-FARM 396 | 3. EY\_Compareble Sale Price Average | 100000014607 | 15415041 | 2015-11-18 |
| DEEDS123085 | FARM 532 PORTION 0 OF IT-SARIE-PIET | 3. EY\_Compareble Sale Price Average | 100000041523 | 9454213 | 2015-11-19 |
| 3159081 | FARM 289 PORTION 0 OF WESSELSBRON-AVIGNON | 3. EY\_Compareble Sale Price Average | 100000037974 | 13864636 | 2015-11-17 |
| DEEDS141511 | FARM 110 PORTION 102 OF IR-KLIPPOORTJE | 3. EY\_Compareble Sale Price Average | 100000038811 | 11303750 | 2015-11-16 |
| DEEDS141061 | FARM 422 PORTION 0 OF IQ-KLIPDRIFT | 3. EY\_Compareble Sale Price Average | 100000032313 | 15095001 | 2015-11-17 |
| DEEDS149371 | FARM 13 PORTION 2 OF LT-KLEIN AUSTRALIE | 3. EY\_Compareble Sale Price Average | 100000030327 | 15141810 | 2015-11-17 |
| DEEDS 180194 | FARM 424 PORTION 64 OF JR-ONVERWACHT | 3. EY\_Compareble Sale Price Average | 100000039191 | 15449505 | 2015-11-18 |
| 1020331 | FARM 3693 PORTION 13 OF FU-LOT 51 | 3. EY\_Compareble Sale Price Average | 100000020372 | 15379085 | 2015-11-17 |
| DEEDS140978 | FARM 371 PORTION 192 OF IQ-ORANGE FARM | 3. EY\_Compareble Sale Price Average | 100000038732 | 10318091 | 2015-11-17 |
| DEEDS 180194 | FARM 424 PORTION 64 OF JR-ONVERWACHT | 3. EY\_Compareble Sale Price Average | 100000039191 | 15449505 | 2015-11-18 |

**Impact**

The Fixed Asset Register valuation based on comparable sale price average may be misstated as the comparable sales price average as at 1 April 2013 may differ from that of the current Lightstone reporting date, therefore assets values may be misstated.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Lightstone comparable sales price average must be reported on the effective date of transfer which is 1 April 2013

**Management response**

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

The dates as listed in the finding are the dates on which the specific report was obtained from

Name: Siboniso Sokhela

Position: Director - REIRS

Date: 31 March 2016

**Auditor’s conclusion**

Management’s comments are noted however, the only date outlined on the Lightstone documents is the reporting date and no other information has been provided that would demonstrate that the valuations were completed on the 1st of April 2013. Thus the finding remains.

1. **Immovable Assets: Exceptions identified through comparison of deeds registry and immovable Assets register (COFF 62)**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.

A comparison between the Deeds download, the provincial Public Works assets registers, the Department of Defence assets register, and the vesting list was performed and the following exceptions were noted.

*Reconciliation between the IAR of PMTE and Provincial Public Works*

A comparison between the provincial Public Works assets registers to PMTE assets registers was performed and 1727 assets appeared on both registers.

Refer to file DPW\_IAR\_Provincial\_IAR\_2016\_MAT

The potential misstatement cannot be quantified until management has provided reasons for the duplications.

*Reconciliation between the IAR of PMTE and Department of Defence*

A comparison between the Department of Defence Assets registers to the PMTE Assets registers and the following 52 properties appeared both registers.

Refer to file DOD\_DPW\_IAR\_PMTE\_2016\_MAT

The potential misstatement cannot be quantified until management has provided reasons for the duplications.

*A list of all land vested with national government and situated in the former TBVC*

*states and Self Governing Territories occupied by a national department in support of*

*its service delivery objectives (e.g. a magistrate’s court or prison) and or where DPW*

*performs the custodial functions (barring the disposal thereof) in terms of section 4 of*

*the GIAMA*

The former TBVC states and the self-governing territories were identified from the *PERSON\_NAME* field in the deeds register and 565 properties identified were extracted to the file “TBVC\_SelfGoverning\_2016Deeds”

The misstatement could not be quantified since the land is not included in the IAR of the entity and the immovable assets are understated.

Immovable assets as reflected in the financial statements of the entity are materially misstated.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should ensure that only the assets which are owned by the entity are recorded in the books of the entity.

**Management response**

A comparison between the Department of Defence Assets registers to the PMTE Assets registers and the following 52 properties appeared both registers.

Refer to file DOD\_DPW\_IAR\_PMTE\_2016\_MAT

Management agrees that the land parcels are duplicated. DOD endowment land parcels are by law (DOD Endowment Act) under the custodianship of DOD. The land parcels were included in the IAR as per the agreement with DPW and DOD that the PMTE will vest the land parcels at the PSLVDC on behalf of the Department of Defence. As a result, the PMTE will adjust the asset register and AFS to derecognize the duplicated land parcels.

Management disagrees with these points of the finding:

A comparison between the provincial Public Works assets registers to PMTE assets registers was performed and 1727 assets appeared on both registers. Refer to file DPW\_IAR\_Provincial\_IAR\_2016\_MAT.

1715 duplicates per AG CAATS Results:

* 50 DOD duplicates are dealt with above.
* 441 land parcels are not disclosed by the PMTE in its 31 March 2016 AFS; awaiting finalisation of the S42 transfer process to respective provinces.
* 371 land parcels with LPI code “UNREGISTERED” and “N/A” are not duplicates. These LPI codes are not unique and do not accurately identify duplicates.

The PMTE is able to demonstrate control on the remaining 853 land parcels. These land parcels are vested with the Department of Public Works, are occupied by user departments of the PMTE as it discharges its mandate of service delivery objectives. Refer to the annexure for detailed conclusion on each property.

A list of all land vested with national government and situated in the former TBVC

states and Self Governing Territories occupied by a national department in support of

it’s service delivery objectives (e.g. a magistrate’s court or prison) and or where DPW

perform the custodial functions (barring the disposal thereof) in terms of section 4 of

the GIAMA

In terms of the provisions of the Immovable Asset Guide issued by National Treasury (section 3.1 c); the National Department of Rural Development and Land Reform (DRDLR) shall record the following:all land vested with the national government situated in the former TBVC states and the former Self Governing Territories including any communal land located in these areas with the exclusion of land governed by the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994) as amended; DRDLR has recorded and disclosed all 564 land parcels at 31 March 2016. These land parcels do not vest with the PMTE.

Name: Siboniso Sokhela

Position: Director

Date: 04 July 2016

**Auditor’s conclusion**

A comparison between the Department of Defence Assets registers to the PMTE Assets registers and the following 52 properties appeared both registers.

Refer to file DOD\_DPW\_IAR\_PMTE\_2016\_MAT

Management comments are noted. The finding remains until the necessary adjustments are made to the asset register

A comparison between the provincial Public Works assets registers to PMTE assets registers was performed and 1727 assets appeared on both registers. Refer to file DPW\_IAR\_Provincial\_IAR\_2016\_MAT.

1715 duplicates per AG CAATS Results:

50 DOD duplicates

* Management comments are noted. The finding remains until the necessary adjustments are made to the asset register.

441 land parcels are not disclosed by the PMTE in its 31 March 2016 AFS; awaiting finalisation of the S42 transfer process to respective provinces.

* Management comments are noted. Section 42 transfer processes for the land parcels must be provided to the auditors and a narrative should be included in the financial statements. The finding remains unresolved.

371 land parcels with LPI code “UNREGISTERED” and “N/A” are not duplicates. These LPI codes are not unique and do not accurately identify duplicates.

* Management comments are noted, the findings has been resolved.

The PMTE is able to demonstrate control on the remaining 853 land parcels. These land parcels are vested with the Department of Public Works, are occupied by user departments of the PMTE as it discharges its mandate of service delivery objectives. Refer to the annexure for detailed conclusion on each property.

* Management comments are noted, the finding remains unresolved, management should provide supporting documentation to support the vesting and the control over the land parcels.

In terms of the provisions of the Immovable Asset Guide issued by National Treasury (section 3.1 c); the National Department of Rural Development and Land Reform (DRDLR) shall record the following: all land vested with the national government situated in the former TBVC states and the former Self Governing Territories including any communal land located in these areas with the exclusion of land governed by the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994) as amended;

DRDLR has recorded and disclosed all 564 land parcels at 31 March 2016. These land parcels do not vest with the PMTE.

* Management comments are noted, follow up is being done with the DRDLR audit team, a conclusion on the results will be provided to management.

1. **Immovable Assets: Exceptions identified through comparison of deeds registry and immovable Assets register**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards.

A comparison between the Deeds download, the Department of Rural Development assets register and the vesting list was performed and the following exceptions were noted.

*Reconciliation between the IAR of PMTE and Rural development*

The IAR of PTME and DRDLR were compared and 38 properties appeared on both registers. Refer to the file “DPW\_DRDLR\_IAR\_Mar2016\_MAT”

The potential misstatement cannot be quantified until management has provided reasons for the duplications

*Assets registered (PMTE IAR) in the name of persons and municipalities against the Deeds Office register*

An extract was made of all possible properties that are registered in a municipality’s name according to the deeds register and 120 properties were identified.

Refer to the file ”DPW\_IAR\_Deeds\_2016\_Mun”

An extract was made where the ID number was populated, however the “person can be a trust or company etc, and 370 properties were identified.

Refer to the file ”DPW\_IAR\_Deeds\_2016\_Names”.

The potential misstatement cannot be quantified until management has provided reasons for the duplications.

*A list of all land in the former territory of the Republic of South Africa (pre 27 April 1994) registered in the name of the National Government of the Republic of South Africa, where custodial powers have not been assigned to another national department in terms of section 4 of the GIAMA.*

Refer to the file “DRDLR\_Vestng\_Deeds\_Mar2016\_WF” column S (Custodian\_Department) where DRDLR is the custodian of all 38 properties identified.

*A list of all former South African Development Trust land, which by proclamation vest with PMTE; and all properties acquired by PMTE for the discharge of its mandate*

The properties registered in the South African Development Trust were extracted on the *PERSON\_NAME* field in the deeds register, and 64 properties were identified.

Refer to the file “SA\_Development\_Trust\_2016Deeds”

The misstatement could not be quantified since the land is not included in the IAR of the entity and the immovable assets are understated.

*A list of all surveyed but unregistered land parcels falling within the custodian function*

*of the Department*

The “UNREGISTRED” properties in the DLDLR vesting register in the *Registered\_Owner* field was used and 4 properties matched with the deeds register, refer to the file” UnregisterLand\_2016Deeds”

The misstatement could not be quantified since the land is not included in the IAR of the entity and the immovable assets are understated.

*A list all facilities constructed and used by the national government on land where DPW is not the custodian subject to the terms of any agreement written or oral.*

The properties registered in another name that relating to public works was extracted, refer to the file “Other\_Names\_deeds\_2016”.

The potential misstatement cannot be quantified until management has provided reasons for the duplications.

Immovable assets as reflected in the financial statements of the entity are materially misstated.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should ensure that only the assets which are owned by the entity are recorded in the books of the entity.

**Management response**

Management response submitted on 15 July 2016

**Auditor’s conclusion**

Assessing management comments

1. **Immovable Assets: Incorrect building counts as per IAR**

**Audit finding**

Section 40 of the PFMA requires that: “The accounting officer for a department, trading entity or constitutional institution –

1. must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;
2. must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”

During the audit, the following differences were noted:

The number of buildings counted per property (site) during the physical verifications undertaken differed from the number of buildings recorded on the asset register for the various properties.

Building count is utilised to determine the average conditional assessment of all buildings within one property thus enabling the allocation of the value assigned to the property between the land and buildings.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Site ID** | **Building count as per IAR** | **Building count as per physical verification** | **Difference** | **Value per site ID (R)** |
| 100 000 010 439 | 5 | 6 | -1 | 7 365 753.62 |
| 100 000 010 931 | 18 | 3 | 15 | 124 457 271.46 |
| 100 000 011 113 | 37 | 30 | 7 | 40 878 583.94 |
| 100 000 011 147 | 8 | 6 | 2 | 1 540 970.85 |
| 100 000 021 967 | 27 | 51 | -24 | 182 915 659.27 |
| 100 000 021 972 | 8 | 15 | -7 | 2 473 572.10 |
| 100 000 022 446 | 10 | 9 | 1 | 698 726.82 |
| 100 000 022 576 | 6 | 8 | -2 | 2 389 507.82 |
| 100 000 035 240 | 68 | 66 | 2 | 186 792.04 |
| 200 000 046 546 | 10 | 14 | -4 | 477 344.01 |
| 200 000 047 482 | 28 | 4 | 24 | 13 687 728.59 |
| 200 000 049 884 | 11 | 12 | -1 | 5 737 078.32 |
| 100 000 016 621 | 19 | 25 | -6 | 26 134 138.08 |
| **Total** | **255** | **249** | **6** | **382 808 988.84** |

Depreciation calculated on the incorrect initial value of buildings resulting in misstatements in depreciation and impairment calculations

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should review information used to prepare financial statements to ensure that amounts disclosed on the financial statements are accurate and agree to supporting documentation.

**Management response**

Management disagrees with the finding:

The count of buildings in IAR is a result of physical verification results collected. Physical verification was performed in accordance with the entity’s business rules.

We provide GIS maps of the sites queried on which we have indicated a possible reason for the difference in count. We were unable to respond to each site query in as much details as the AG has not provided the requested detail of the count they performed. This detail would allow a more focused investigation, comparing our physical verification results to those of the AG to determine where differences lie. Accordingly, we conclude the IAR count is correct as

Name: Siboniso Sokhela

Position: Director

Date: 04 July 2016

**Auditor’s conclusion**

Management’s comments are noted. The count was undertaken by the AGSA in conjunction with the PMTE project managers. The satellite maps provided subsequently still do not resolve the finding as they cite “possible reasons for the difference in count” and they also provide a third count as highlighted in the red area. See one example below;

PROPERTY 3

100000014607

Building Count per IAR: 19

Building count per AG: 25

Possible reason for difference in count: Informal structures

Additional information provided by management which does not agree to the IAR or the Auditors count



1. **Immovable Assets: Differences between the financial statements and the supporting schedules (COFF 70)**

**Audit finding**

Section 40 of the PFMA requires that: “The accounting officer for a department, trading entity or constitutional institution –

1. must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;
2. must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”

During the audit of PPE the following was noted:

1. Depreciation of assets under construction for 2014 was omitted from the 2014 closing balance of accumulated depreciation. As a result both the opening balance and closing balance for 2015 and 2016 accumulated depreciation in the Financial Statements was misstated. Differences in schedules and the Financial Statements are shown below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source** | **Depreciation 2014** | **Depreciation 2015** | **Total accumulated depreciation for 2015 as per supporting schedules** | **Accumulated Depreciation as per AFS 2015** | **Difference** |
| FAR Building and improvements | 2 164 372 464.93 | 2 164 372 464.93 | 4 328 744 929.86 | 4 626 242 000.00 | 101 897 228.34 |
| AUC Building and Improvements | 101 983 016.84 | 208 376 776.02 | 310 359 792.86 |
| FAR Infrastructure | 10 041 826.35 | 10 069 413.79 | 20 111 240.14 |
| AUC Infrastructure | 1 542 209.41 | 2 423 702.31 | 3 965 911.72 |
| FAR Components | 17 104 282.11 | 17 151 271.89 | 34 255 554.00 |
| AUC Components | 9 504 048.96 | 21 197 750.80 | 30 701 799.77 |
| **Total** | | | **4 728 139 228.35** | **4 626 242 000.00** | **101 897 228.34** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source** | **Total accumulated depreciation for 2015 as per supporting schedules** | **Depreciation and Impairment 2016** | **Total accumulated depreciation for 2016 as per supporting schedules** | **Accumulated Depreciation as per AFS 2016** | **Difference** |
| FAR Building and improvements | 4 328 744 929.86 | 2 262 334 178.57 | 6 591 079 108 | 7 189 550 000.00 | 101 593 379.96 |
| AUC Building and Improvements | 310 359 792.86 | 244 560 494.56 | 554 920 287.41 |
| FAR Infrastructure | 20 111 240.14 | 10 097 001.22 | 30 208 241.36 |
| AUC Infrastructure | 3 965 911.72 | 4 264 805.43 | 8 230 717.14 |
| FAR Components | 34 255 554.00 | 17 198 261.68 | 51 453 815.68 |
| AUC Components | 30 701 799.77 | 24 549 410.17 | 55 251 209.93 |
| **Total** | | | **7 921 143 380.00** | **7 189 550 000.00** | **101 593 379.96** |

Impact:

1. Opening balance for PPE is overstated by R 101 897 228.34 in 2016
2. Closing balance for PPE is overstated by R 101 593 379.96 in 2016

**Internal control deficiency**

## Financial and Performance Management

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

Recommendation

Management should review information used to prepare financial statements to ensure that amounts disclosed on the financial statements are accurate and agree to supporting documentation.

**Management response**

Management is in agreement with the finding and necessary adjustments will be made.

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 4 July 2016

**Auditor’s conclusion**

The management is in agreement with the finding.The finding will remain until the corrective journals are passed and audited.

1. **Immovable Assets: Fair presentation and disclosure in the Annual Financial Statements**

**Audit finding**

GRAP 17.06 defines a class of assets as a “Grouping of assets of a similar nature or function in an entity’s operations, that is shown as a single item for the purpose of disclosure in the financial statements’.

GRAP 17.80(e)(i) states that “The financial statements shall disclose, for each class of property, plant and equipment recognised in the financial statements:

a reconciliation of the carrying amount at the beginning and end of the period showing:

(i) additions;”

GRAP 1.19(c) states that, “In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

1. to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.”

The Property Plant and Equipment (PPE) and Heritage assets as disclosed in note 7 and 9 of the Annual Financial statements respectively consist of additions through assets under construction (AUC). The AUC is disclosed on a total basis to the Carrying amount of the Buildings and improvements and the heritage assets which does not fairly reflect the nature of the operations of the entity in that both the assets which are still under construction and the assets which are completed are not clearly disclosed to enable the user to understand the impact of the nature of construction carried out by the entity.

The construction projects of the entity constitute a material class of PPE and are of a different nature to completed PPE and Heritage Assets.

Assets under construction is disclosed at R3 519 525 000 (2015: 3 016 922 000 restated) in the AFS submitted for audit.

Incorrect presentation and disclosure of the PPE and Heritage note contained within the Annual Financial Statements which results in the Financial Statements not achieving a fair presentation.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should disclose Assets under construction separately within the PPE and Heritage assets note to enable the users of the Annual financial statements to obtain a clear understanding of the operations and the differing nature of assets found within the Immoveable assets.

**Management response**

I am not agreement with the finding.

GRAP 17 (effective 1 April 2015) defines a class of assets as a group of assets of a similar nature or function in an entity’s operations, that is shown as a single item for purpose of disclosure in the financial statements. GRAP 17 is not prescriptive in the types of classes that management must select and based on the definition management have the prerogative to choose the classes of assets that will be relevant to the operations based on nature or function of the assets. In practice, the nature and the function may be considered together to determine the classes of assets for example it may be more relevant to classify construction vehicles as part of operational equipment rather than motor vehicles. Paragraph 42 merely list examples of classes of assets like land, buildings, equipment, etc.

The auditors should take cognizance of the fact that the nature of these capital projects does not always give rise to new assets being constructed but in many cases these projects are extensions or major refurbishments. For newly constructed assets, the cost may include some “completed” components like land, which cannot be practically distinguished from the rest of the asset, which will result in discrepancies between “completed” assets.

Although these costs are separately controlled and managed from direct acquisitions, the nature of the assets is not different.

As a result, management does not view assets that are in the process of being constructed as a separate class of assets, but rather as additions to the existing classes of assets. This conclusion was reached after carefully considering paragraph .21 and .22 (that explains that construction cost are part of the cost of the asset) and paragraph 81(b) that requires that the entity to disclose for each class of assets the amount of expenditure incurred in the carrying amount during construction. For that purpose, management disclosed the additions from assets under construction (expenditure incurred) separately from other additions in the reconciliation that is disclosed in accordance with paragraph 80.

Management is also aware of the fact that the disclosures of the classes are different from the previous year. However, these changes were made as part of the transitional provisions in Directive 6 in finalising the measurement of the assets from the transfer of function. Practical difficulties were experienced with the “traditional” classes as these did not always consider the nature of the entity and PMTE may still consider changing the classes to provide more relevant information to the users of the financial statement in future based on the nature of the assets.

Management is aware of the amendments to GRAP 17 for the financial year commencing 1 April 2016 that will require additional information relating to assets under construction and are currently in the process of putting action plans in place to ensure that those requirements will be met. Management views the current disclosures to be in accordance with the requirements of

Name: Belinda van der Merwe

Position: DDG: Finance

Date: 2016/0701

**Auditor’s conclusion**

Management comments are noted, however the findings remains unresolved as the assets under construction are a significant balance in the PMTE and the presentation in the PPE note does not clearly present the assets in a manner that enable users of the financial statements to understand the impact of the assets under construction transactions, other events and conditions in the financial statements.

The fact that the refurbishments are linked to the existing assets gives more evidence that clear distinction of what is still under construction and what has been completed needs to be clearly presented in the notes to the annual financial statements.

1. **Immovable Assets: Assets not shown in the disposals and/or opening balance of the Property Plant and Equipment (COFF 84)**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

During the audit work performed on rates and taxes, PMIS assets register was reconciled to the immovable assets register (excel) submitted for audit to confirm that the entity is paying rates and taxes for the properties it owns. We were unable to link the assets from PMIS to the excel assets register supporting the financial statements using either property code or description. Furthermore, the rates payments made could also not be linked to the properties on PMIS using either property code or description. Please see Annexure B (PMIS)

We are unable to quantify the extent of the misstatement as the assets on PMIS do not have values assigned to them

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Full implementation of the immovable assets module that is also linked to the rates should be expedited

**Management response**

No management response received

**Auditor’s conclusion**

In terms of our engagement letter, audit findings concerning control deficiencies, identified misstatements in the financial statements and non-compliance with laws and regulations will be communicated during the course of the audit and management will be requested to address these. Submission of a response to these communications, whether it be comments, information or documentation in support of action taken, will be required within a reasonable time, which should not exceed three working days from the date of the communication of the finding, unless a different timeline is expressly agreed in writing with the auditors.

No management responses were submitted within the agreed timeframe in respect of this finding, and as such no responses will be taken into consideration in finalising the audit.

1. **Immovable Assets: Differences between valuation recalculation and fixed asset register**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

During the audit the following differences were noted ,as per table below, between auditor’s valuation based on the amount as per Municipal valuation roll/light stone values and the deemed cost as per the fixed asset register submitted for audit, refer to annexure A (Valuation) for detailed calculation:

|  |  |  |
| --- | --- | --- |
| **Fixed asset register** | **Auditor’s valuation** | **Differences** |
| R 6 169 918 000.00 | R 5 352 982 542.00 | R 816 935 457.06 |

Based on the finding the impact of the closing balance of PPE at financial year end will be overstated by R 816 935 457.06

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should review information used to prepare financial statements to ensure that amounts disclosed on the financial statements are accurate and agree to supporting documentation.

**Management response**

Management disagrees with the finding due to the following reasons:

1. The AGSA raised COFF 35, whereby they indicated that some of the Municipal Valuation rolls were older than 4 years, subsequently management applied a pricing index on the MVR’s older than 4 years and post 1 April 2013. It appears that this pricing index was not taken into account in the re-performance. Please refer to attached files “EY\_ALR\_Nov15\_Output\_06042016\_NB” and “MVR's screenshots” for the appreciation and depreciation of the MVR values.

This information was previously provided to AG, however it was not taken into account the re-performance of the valuation.

1. The majority of the difference (R680 mil) emanates from the capitalisation of WCS projects on 1 April 2013, please refer to the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Site ID** | **Difference between auditors valuation and FAR for buildings** | **Difference possible AUC** | **Comments** |
| 100000047073 | 331 274 068.33 | 331 288 337.89 | This was due to capitalization of WCS projects - 44106 |
| 100000036755 | 205 731 116.98 | 205 737 288.82 | This was due to capitalization of WCS projects - 43244 |
| 100000018914 | 142 973 591.68 | 142 973 805.26 | This was due to capitalization of WCS projects - 46097 |
| Total |  | 679 999 431.97 |  |

1. The AGSA did not take all components into account in the calculation of the value of the buildings, please refer to the detailed comments in Annexure A.
2. The sample contained 3 facilities where there was a combination of provincial and NDPW properties, these provincial properties are not disclosed by DPW, however they need to be taken into account when the deemed cost model is applied to split values between land and buildings. Please refer to the detailed comments in Annexure A.
3. The sample contained 4 facilities where the facility is made up off more than one land parcel, the deemed cost model was developed to take into account all land and buildings for a specific facility when the split between land and buildings are done. It appears as if this principle was not taken into account in the re-performance of the sample. Please refer to the detailed comments as per Annexure A.
4. Sample contained 2 facilities contained in bucket 3 and 4 as per the deemed cost position paper, however this was not taken into account in the re-performance by the AG. Please refer to the detailed comments as per Annexure A.

The table below is an extract of Annexure A, for more details refer to the excel version of Annexure A. It is further of vital importance that the AG uses the Site ID in order to filter for all land, buildings and components relating to a specific facility.

A meeting was scheduled on 8 July 2016 @ 8:00 with the manager of the AG, where these principles were explained.

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 12 July 2016

**Auditor’s conclusion**

Management comments are noted, the finding remains unresolved on the following:

1. The principle of pricing index being applied to Lightstone was not considered as it was only brought to the attention of the auditors on 8 July in response to the finding. The COFF 35 raised was only raised on actual municipal valuation rolls which were outside the four years valuation period.
2. The finding still remain unresolved as the three projects which are indicated as being capitalised on 1 April 2013 could not be traced to the Assets under construction schedule (J111). Furthermore, we could not confirm whether the construction expenditure was incurred prior to 1 April 2013 and had to be capitalised on the date of transfer as no supporting documentation was provided.
3. Management comments are noted, the finding has been resolved except for the following component which could not be identified using the site ID could not be identified in the components assets register.

|  |  |  |  |
| --- | --- | --- | --- |
| **Site ID** | **Components as per IAR submitted to the AG** | **Identified Component in Component FAR** | **Difference** |
| 57261 | 308,732.09 | Could not identify component with site ID | Could not identify component with site ID |

1. Management comments are noted the finding has been resolved for point 4 to 6.
2. **Operating expenditure: Reconciliation between PMIS and SAGE payments of property rates and taxes and the immovable assets register (COFF 88)**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

Reconciliation was performed between the SAGE system and PMIS to confirm the accuracy of the transmitted information between the two systems and the following was identified:

* The total amount paid from PMIS as per the PMIS download does not agree to the amount paid as per the SAGE download for the 1 April 2015 to 31 Mach 2016 financial periods and no reconciliation was performed indicate the reconciling items between the two systems.

|  |  |  |  |
| --- | --- | --- | --- |
| **Details** | **SAGE** | **PMIS** | **Difference** |
| Rates paid for the year | 894 843 997 | 1 252 864 087 | 358 020 090 |

* In addition the payments as attached on Annexure A(SAGE) to the value of R 2 630 131.87 have been processed on SAGE and could not be traced to the payments originating from PMIS
* The rates and taxes payments made from PMIS and SAGE (R894 843 997) as per Annexure B(PMIS) could not be linked to the immovable assets register of the PMTE, we are therefore unable to determine whether the entity pays rates and taxes on the properties owned by the entity.

The extent of the error cannot be determined as the rates paid by the entity cannot be linked to the properties on the asset register

Possible understatement of property rates and taxes as shown in the financial statements

Possible overstatement of immovable assets

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should prepare reconciliation between PMIS and SAGE to identify the reconciling items between the two systems and follow up on the reconciling items.

**Management response**

No management response received.

**Auditor’s conclusion**

In terms of our engagement letter, audit findings concerning control deficiencies, identified misstatements in the financial statements and non-compliance with laws and regulations will be communicated during the course of the audit and management will be requested to address these. Submission of a response to these communications, whether it be comments, information or documentation in support of action taken, will be required within a reasonable time, which should not exceed three working days from the date of the communication of the finding, unless a different timeline is expressly agreed in writing with the auditors.

No management responses were submitted within the agreed timeframe in respect of this finding, and as such no responses will be taken into consideration in finalising the audit.

1. **Immovable Assets: Addition of a complete asset recognised as asset under construction.**

**Audit finding**

GRAP 17.06 defines a class of assets as a “Grouping of assets of a similar nature or function in an entity’s operations, that is shown as a single item for the purpose of disclosure in the financial statements’.

GRAP 17.80(e)(i) states that “The financial statements shall disclose, for each class of property, plant and equipment recognised in the financial statements:

a reconciliation of the carrying amount at the beginning and end of the period showing:

(i) additions;”

GRAP 1.19(c) states that, “In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

1. to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.”

The amount of Assets Under Construction (AUC) disclosed in the Annual Financial Statements included the purchase of Telkom Towers during the financial period, the purchase of Telkom towers is an addition of a fully completed building which is not under construction.

The Telkom tours buildings is shown at status 5B of construction in the AUC schedule instead of an addition in the Property Plant and Equipment note in the annual financial statements. The completed building is not of a similar nature to AUC and as such the presentation and disclosure requirements of GRAP 1.19(c) are not complied with.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **WCS Number** | **Client Department** | **Description** | **Status** | **First Delivery Date** | **Amount (R)** |
| 54509 | SA POLICE SERVICE | PRETORIA CENTRAL: PURCHASE OF TELKOM TOWERS | 5B | 2016/02/21 | 694 835 270.00 |

Overstatement of assets under construction

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should separately disclose completed assets separately from the assets under construction to enable the user to understand the nature and impact of the transactions of the entity.

**Management response**

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

At 31 March 2016, the purchase transaction for Telkom towers had not been concluded as transfer of the property at the Pretoria Deeds Office was only effected on 7 April 2016.

PMTE management had made progress payments as part of the acquisition of Telkom Towers during the 2015/ 2016 financial year and these payments have been capitalized as part of AUC. At 31 March 2016, the building was not available for occupation and use by DPW so the

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 8 July 2016

**Auditor’s conclusion**

Management comments are noted, the finding remains unresolved as there building is complete. Refurbishments effected to the building should be shown as asset under construction until the work is complete. The transfer took place on 07 April 2016 and this provides evidence that before the financial statements were submitted the transaction had been concluded. This should be treated as an adjusting subsequent event.

The finding remains unresolved and will be included in the schedule of uncorrected misstatements.

1. **Immovable Assets: Application of Deemed cost and transitional provisions of Directive two to the Immovable assets**

**Audit finding**

Paragraph 52 to 55 of the transitional provisions of Directive two states the following:

.”52 All changes resulting from the application of the Standard of GRAP on Property, Plant and Equipment shall be accounted for in accordance with the requirements of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

.53 When an entity initially adopts a Standard of GRAP, the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to apply the requirements of the Standard being adopted retrospectively.

.54 Where property, plant and equipment are acquired through a transfer of functions, the entity is not required to measure the property, plant and equipment for a period of three years from the effective date of the Standard or the effective date of the transfer of functions, whichever is later, subject to the provisions in paragraph .55 below.

.55 If the initial accounting for property, plant and equipment is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those items of property, plant and equipment for which the accounting is incomplete. During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the transfer date in accordance with paragraph .54 and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional items of property, plant and equipment if information is obtained about the existence of those property, plant and equipment at the transfer date and, if it had been known, would have resulted in the recognition of those property, plant and equipment at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the transfer date or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.”

GRAP 3 Paragraph 04 Definitions states the following:

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

*GRAP 1.19(c) states that, “*In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

1. to provide additional disclosures when compliance with the specific requirements in Standards of GRAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.”

Nature

Deemed cost for Disclosure for Non-current assets R112 419 625 000 (2015:R 111 002 776 000 restated):

The deemed cost for disclosure of the non-current assets as presented in the financial statements is does not indicate the split between the deemed cost of the assets that were acquired through a transfer of functions between the Department of Public Works (DPW) and the Property Management Trading Entity (PMTE) as at the effective date of transfer being 1 April 2013.

The deemed cost includes the amounts of expenditure that were capitalised after the transfer of functions between the two entities which do not indicate the information that existed at the date of transfer. The transitional provisions require that the adjustments to the provisional amounts be made only when the facts existed at the effective date of transfer.

The difference between the deemed cost and the amount that was capitalised on the construction projects which were initiated after the transfer of functions which were capitalised in the current financial period should be accounted for as a prior period error in line with the requirements of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The supporting schedules do not contain a split between the deemed cost which is a results of lack of the accounting records to determine the cost of acquisition of the assets and the cost incurred to refurbish or upgrade the assets which were acquired through the transfer of functions.

The issues raised above result in misstatements on the immovable assets, and non-compliance with GRAP and limitation of scope.

Fair presentation of the financial statements is not achieved as per the requirements of the GRAP standards.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should ensure that the implementation of the immovable assets accounting system is expedited and the WCS system should be linked to the immovable assets so that there is clear distinction between the costs incurred as refurbishments and acquisition costs.

**Management response**

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

1. The amounts presented in the Immovable Assets note in the Annual Financial Statements (AFS) comprise:
   1. Completed Assets which existed pre 1 April 2013, are included in the Immovable Assets register and have been valued using the Deemed cost method at 1 April 2013 (Effective date of Transfer per Directive 2); and
   2. Assets capitalised post 1 April 2013 as a result of Additions through Assets under Construction, projects completed by third party service providers and land acquisitions.
2. Management are of the view that the following additional disclosure will be of value to the users of the financial statements so will revise the disclosures accordingly:*“As part of the carrying value of Immovable Assets at 1 April 2014 of R109,626,469,432 (R107,317,022,430 at 1 April 2013), the value of property included as part of the Transfer of Functions at 1 April 2013 measured using the Deemed Cost method is R99,761,450,805”*
3. Management does not agree with the AGSA’s assessment that Directive 2 limits adjustments to the measurement of the assets as at transfer date only. As an example, Directive 2 paragraph 53 and 54 states:*“The exemption from applying the measurement requirements of the Standard of GRAP on Property, Plant and Equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, Plant and Equipment.Until such time as the measurement period in paragraphs .51 and .52 expires, entities need not comply with the Standards of GRAP on*

* *Presentation of Financial Statements,*
* *The Effects of Changes in Foreign Exchange Transactions*
* *Leases,*
* *Segment Reporting, and*
* *Non-current Assets Held for Sale and Discontinued Operations,*

*to the extent that these Standards prescribe requirements for property, plant and equipment.“*

1. Management acknowledge the fact errors may occur that does not relate to the re-measurement of the assets transferred through the transfer of function. However, management concluded that the restatements that occur was as a result of the re-measurement of the assets through the transfer of functions. The following considerations has to be considered:
   1. In excess of 90% of the capital expenditure in WCS relates to work done on assets which are included as part of the Transfer of Functions at 1 April 2013.
   2. The provisions of Directive 2 allow management a period of 3 years to gather sufficient information to present the Immovable Assets balances in a manner which satisfies the applicable assertions. The Immovable Assets balance includes completed assets as well as AUC expenditure relating to those assets;
   3. Management therefore made the decision that the WCS expenditure incurred over the period 1 April 2013 to 31 March 2016 is therefore included within the scope of Directive 2 and has been accounted for as such. Adjustments to prior period values are therefore not required to be disclosed as prior period errors.
   4. The final consideration was the fact that it is impracticable to quantify all prior period errors for disclosure purposes;

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 13 July 2016

**Auditor’s conclusion**

Management comments are noted, the finding remains unresolved for the following reasons:

During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the transfer which, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity shall also recognise additional items of property, plant and equipment if information is obtained about the existence of property, plant and equipment at the transfer date and, if it had been known, would have resulted in the recognition of those property, plant and equipment at that date.

The construction which happened after the date of transfer should have been recognised in line with GRAP 17 if it related to PPE or GRAP 16 if it relates to Investment Property. Construction that happened after the transfer date but was not accounted for correctly should be shown as a prior period error in accordance with GRAP3 (Accounting for prior period errors).

Management has a source of information/ records in the form of WCS which is utilised in the preparation of financial statements. Information from the system is sufficiently detailed to show the split per year therefore management’s assertion that “it is impracticable to quantify prior period errors” is not appropriate.

Not disclosing the split between the actual transfer of functions and the amounts which were capitalised after the transfer of function is a material departure from the requirements of GRAP standards on the transfer of functions and the correction of prior period errors.

The following line items in the financial statements are impacted by the departure from the standards of GRAP as the prior year amounts were restated:

* Deferred Revenue disclosed at R6 784 364 000 (2015: 4 614 678 000 restated)
* Accrual Assets disclosed at R214 832 000 (2015: 591 080 000 restated)
* Capital Commitments disclosed at R 5 380 780 000 (2015: 6 172 636 000 restated)
* Property Maintenance expenditure disclosed at R 2 776 546 000 (2015: 2 008 466 000 restated)
* Assets under construction disclosed at R3 519 525 000 (2015: 3 016 922 000 restated

The finding remains unresolved and will be reported in the audit report.

1. **Accrual Assets: Reconciliation between WCS and SAGE payments for accrual assets**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

Reconciliation was performed between the SAGE system and WCS to confirm the accuracy of the transmitted information between the two systems and the following was identified:

* The total amount paid from WCS as per the WCS download does not agree to the amount paid as per the SAGE download for the 1 April 2015 to 31 Mach 2016 financial periods and no reconciliation was performed indicate the reconciling items between the two systems. Refer to the attached (Annexure A Recon\_WCS vs SAGE) for detailed Reconciliation

|  |  |  |  |
| --- | --- | --- | --- |
| **Details** | **SAGE** | **WCS** | **Difference** |
| Accrual assets payments | 2 552 156 710.81 | 5 560 089 731.00 | 3 007 933 020.47 |

* The total amount paid from WCS as per the WCS download does not agree to the amount paid as per the SAGE download for the 1 April 2016 to 30 June 2016 subsequent payments and no reconciliation was performed indicate the reconciling items between the two systems. Refer to the attached (Annexure B Recon\_Sage vs WCS) for detailed Reconciliation

|  |  |  |  |
| --- | --- | --- | --- |
| **Details** | **SAGE** | **WCS** | **Difference** |
| Accrual assets payments | 595 154 652 | 710 627 717 | 115 473 065 |

This will result in misstatements of the accrual assets in the financial statements

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should prepare reconciliation between WCS and SAGE to identify the reconciling items between the two systems and follow up on the reconciling items.

**Management response**

Management response was not provided.

**Auditor’s conclusion**

In terms of our engagement letter, audit findings concerning control deficiencies, identified misstatements in the financial statements and non-compliance with laws and regulations will be communicated during the course of the audit and management will be requested to address these. Submission of a response to these communications, whether it be comments, information or documentation in support of action taken, will be required within a reasonable time, which should not exceed three working days from the date of the communication of the finding, unless a different timeline is expressly agreed in writing with the auditors.

No management responses were submitted within the agreed timeframe in respect of this finding, and as such no responses will be taken into consideration in finalising the audit.

1. **Immovable Assets: WCS projects capitalised during the transitional provisions of Directive two on buildings and improvements**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

During the audit it was noted that the condition of buildings and improvements were assessed for deemed cost purposes during the period 2013 to 2016. All capital expenditure capitalised to a building or improvement before the date of assessment was taken into account on the assessment valuation for buildings and improvement as at 1 April 2013. Therefore all WCS projects linked to a building or improvement that was capitalised before the date of assessment has been double accounted.

The valuation methods used to assign deemed cost takes into account the condition of the buildings in order to allocate the costs between land and buildings, performing the condition of assessment after the date of transfer has resulted in the values assigned to land and buildings based on condition after the refurbishments which has been applied to the deemed cost assigned as at 1 April 2013

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Completed WCS Projects** | | | | | | | |
| **WCS Ref** | **Province** | **Description** | **Link to land - Unique Property Code** | **Vlookup to IAR - Facility number** | **Condition date as per FAR** | **Completed Restated Expenditure for FY 2013/ 2014** | **Completed Restated Expenditure for FY 2014/ 2015** |
| 46015 | MMABATHO | COMMUNICATION CENTRE: REPLACE UNDERGROUND HIGH TBNSION CABLE S AND ISTALL ELECTRICITY METER | 34081 | F000019362 | 22/02/2016 | - | 645,258.33 |
| 15176 | BLOEMFONTEIN | REPAIR AND RENOVATIONS OF STATION INCLUDING THE STOCKTHEFT U NIT AND SANITATION AND 7 HOUSES. | DD30082014\_054364 | F000019539 | 27/01/2016 | 4,891,122.22 | 1,588,064.72 |
| 47013 | KIMBERLEY | REPAIR AND RENOVATION TO POLICE STATION AND SINGLE QUARTERS | D31032014\_163006 | F000019428 | 01/12/2015 | 433,052.89 | 5,217,483.27 |
| 48410 | PORT ELIZABETH | CONSTRUCTION OF WASTEWATER TREATMENT WORKS | 1594821 | F000012579 | 08/08/2014 | 1,596,769.92 | NA |
| 44476 | PORT ELIZABETH | REPAIRS AND RENOVATIONS FOR CIVIL INSTALLATIONS | 1402763 | F000018140 | 06/08/2014 | 13,083,458.19 | NA |
| 52460 | PRETORIA | OPERATIONAL RESPONSE SERVICE SUPPORT CENTRE | 1355723 | F000010536 | 29/07/2014 | 5,175,411.10 | NA |
| 40063 | POLOKWANE | CONSTRUCTION OF ENTRANCE CONTROL FACILITY | 2540731 | F000012002 | 27/06/2014 | 1,074,497.85 | NA |
| 48986 | POLOKWANE | PURCHASING AND INSTALLATION OF STANBY GENERATOR AND UNITERRU PTED POWER SUPLLIERS OFFICES | 2540731 | F000012002 | 27/06/2014 | 519,086.00 | NA |
| 41005 | KIMBERLEY | REPAIR AND RENOVATIONS, ADDITIONAL ACCOMMODATION, UPGRADE SE WERAGE SYSTEM. | 2830991 | F000011125 | 26/06/2014 | 1,977,253.29 | NA |
| 46042 | DURBAN | MBONGOLWANE: COMPLETE R&R TO STATION COMPLEX AS WELL AS MARR IED AND SINGLE LIVING QUARTERS. | 1620331 | F000011137 | 26/06/2014 | 1,604,026.76 | NA |
| 46038 | DURBAN | ESHOWE: COMPLETE R&R TO STATION COMPLEX, INCLUDING LOGISTICS COMPLEX, EXTERNAL MORTUARY WALLS AS WELL AS LIVING QUARTERS . | 2995481 | F000014280 | 26/06/2014 | 3,910,770.59 | NA |
| 50284 | KIMBERLEY | INSTALLATION OF AIR CONDITIONERS | 2788611 | F000011608 | 25/06/2014 | 16,101.81 | NA |
| 15194 | BLOEMFONTEIN | REPAIR AND RENOVATION TO BUILDINGS AND 4 HOUSES | F000011672 | F000011672 | 24/06/2014 | 2,066,734.55 | NA |
| 48218 | KIMBERLEY | LAND PORTS OF ENTRY: CONSTRUCTION OF POWER LINES FROM UPINGT ON TO NAKOP BORDER POST. | 3078271 | F000005156 | 17/06/2014 | 2,358,140.52 | NA |
| 49657 | KIMBERLEY | REPLACEMENT OF KITCHEN FLOORING AND PAINTING OF KITCHEN WALL S | 515371 | F000007470 | 17/06/2014 | 213,118.50 | NA |
| 47695 | POLOKWANE | BOSTON BASE: UPGRADING/REPAIR AND RENOVATION OF FACILITIES | 53603 | F000014023 | 15/05/2014 | 902,990.99 | NA |
| 45517 | PRETORIA | FOLLOW ON: REPAIR AND MAINTENCANCE OF CIVIL WORKS | 1374851 | F000013101 | 31/03/2014 | 16,134,612.16 | NA |
| 46049 | DURBAN | ULUNDI ADMINISTRATIVE COMPLEX BLOCK: COMPLETE R&R TO COMPLEX BLOCK AS WELL AS LIVING QUARTERS. | 2681851 | F000012314 | 28/03/2014 | 24,428,936.78 | NA |
| 39454 | MMABATHO | CONSTRUCTION OF COVERED PARKING BAYS; NEW ACCESS ROAD AND PUBLIC PARKING | 2661411 | F000012078 | 25/03/2014 | 2,301,544.15 | NA |
| 28694 | BLOEMFONTEIN | REPAIR AND RENOVATION OF FLATS AND HOUSES | 2932121 | F000013557 | 21/03/2014 | 3,785,483.59 | NA |
| 19170 | JOHANNESBURG | REPAIRS AND RENOVATIONS INCLUDING PROVISION OF ALTERNATIVE A CCOMMODATION FOR THE DURATION OF THE PROJECT | 1258471 | F000013506 | 20/03/2014 | 632,089.53 | NA |
| 51648 | PRETORIA | DEPARTMENT OF AGRICULTURE FORESTRY AND FISHERIES: REQUEST TO CONDUCT FEASIBILITY STUDY ON THE INSTALLATION OF CENTRAL AI R CONDITIONING SYSTEM AT AGRICULTURE PLACE. PRETORIA | 82302 | F000018384 | 18/03/2014 | 133,371.40 | NA |
| 43904 | PRETORIA | REPAIR AND MAINTENANCE PROGRAMME: MECHANICAL AND ELECTRICAL WORK: STATUS QUO REPORT | 413951 | F000012909 | 17/03/2014 | 1,041,763.94 | NA |
| 44735 | PRETORIA | FOLLOW ON CONTRACT: MAINTENANCE OF ELECTRICAL AND MECHANICAL INSTALLATIONS | 28252 | F000018660 | 11/03/2014 | 1,142,978.40 | NA |
| 47027 | PORT ELIZABETH | HERITAGE - REHABILITATION OF FORMER COMMANDO BUILDING | 834601 | F000008931 | 10/03/2014 | 2,714,414.83 | NA |
| 46649 | JOHANNESBURG | REPAIR AND RENOVATION OF POLICE STATION (CIVIL, ELECTRICAL A ND MEACHANICAL) INCLUDING ALTERNATIVE ACCOMMODATION | 1243969 | F000013399 | 07/03/2014 | 7,286,213.18 | NA |
| 46458 | PRETORIA | BAVIAANSPOORT PRISON: REPAIR AND MAINTENANCE OF BUILDINGS, WET SERVICES AND CIVIL INFRASTRUCTURE | 12881 | F000011077 | 05/03/2014 | 20,277,126.34 | NA |
| 48982 | PRETORIA | BAVIAANSPOORT MAXIMUM,BAVIAANSPOORT MEDIUM AND EMTHONJENI PR ISON : IMPLEMENTATION OF EMERGENCY BACK-POWER SUPPLY | 12881 | F000011077 | 05/03/2014 | 1,032,496.49 | NA |
| 48787 | JOHANNESBURG | SOUTH GAUTENG HIGH COURT, JHB: UPGRADING OF ABLUTIONS FOR PUBLIC AND STAFF | DEEDS31032015\_0044875 | F000014060 | 05/03/2014 | 471,669.45 | NA |
|  |  |  |  |  |  | 121,205,235.42 | 7,450,806.32 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Incomplete WCS Projects** | | | | | | | | |
| **WCS Ref** | **Projects** | **Description** | **Link to land - Unique Property Code** | **Link to Improvements - Facility number** | **Date of condition assessment** | **Restated Expenditure for FY 2013/ 2014** | **Restated Expenditure for FY 2014/ 2015** | **Restated Expenditure FY 2015/ 2016** |
| 46406 | BLOEMFONTEIN | MAGISTRATE'S OFFICE AND FAMILY ADVOCATE ADDITIONAL ACCOMMODATION | S42\_31032015\_00033 | F000019413 | 11/01/2016 | 1,181,697.29 | 649,939.41 | 4,697,182.92 |
| 49332 | KIMBERLEY | REHABILITATION OF A HOUSE FOR SANDF (2 MAKSI STREET) | 551831 | F000019275 | 11/08/2015 | - | 361,000.00 | NA |
| 39808 | POLOKWANE | UPGRADE OF POLICE STATION AND CONSTRUCTION OF 8 ADDITIONAL OFFICES | 2540331 | F000012614 | 20/10/2014 | 5,404,145.73 | NA | NA |
| 43801 | MMABATHO | CONSTRUCTION OF ADDITIONAL ACCOMMODATION AND REPAIRS AND RENOVATIONS TO EXISTING FACILITIES | 18191 | F000014233 | 01/10/2014 | 4,974,126.52 | NA | NA |
| 45152 | CAPE TOWN | CAPE TOWN : TWIN TOWERS 701 : UPGRADING THE FLAT | DEEDS30121 | F000012680 | 27/08/2014 | 440,136.98 | NA | NA |
| 35854 | DURBAN | COMPLETE REPAIRS AND RENOVATION TO 6HOUSES AND 24 MARRIED QU ARTERS | 951331 | F000012874 | 27/08/2014 | 4,250,004.21 | NA | NA |
| 49503 | BLOEMFONTEIN | EXPANSION OF THE FIRE PROTECTION SYSTEM | 2886313 | F000012281 | 25/07/2014 | 589,580.03 | NA | NA |
| 47870 | POLOKWANE | DCS:THOHOYANDOU: MATATSHE PRISON: UPRADING OF WASTEWATER TRE ATMENT PLANT AND WATER PURIFICATION PLANT | 2540731 | F000012002 | 27/06/2014 | 16,344,147.84 | NA | NA |
| 26843 | UMTATA | CONDITION BASED MAINTENANCE | 1606621 | F000018438 | 27/06/2014 | 913,988.83 | NA | NA |
| 40792 | UMTATA | REPAIR AND UPGRADE OF BUILDINGS, RELATED SERVICES, ELECTRICAL AND MECHANICAL INSTALLATIONS AND CIVIL INFRASTRUCTURE | 2925831 | F000014446 | 26/06/2014 | 3,051,533.52 | NA | NA |
| 46538 | PRETORIA | INSTALLATION OF INTERIM SECURITY MANAGEMENT EQUIPMENT | 46491 | F000002036 | 14/05/2014 | 363,099.46 | NA | NA |
| 44324 | POLOKWANE | UPGRADING TO THE EXISTING BUILDING AS WELL AS THE STATION CO MMISSIONER'S HOUSE-WALL GARAGE | 75761 | F000007024 | 12/05/2014 | 984,127.90 | NA | NA |
| 40759 | DURBAN | REPAIR AND MAINTENANCE OF MECHANICAL AND ELECTRICAL INSTALLATIONS | 2921732 | F000013239 | 22/04/2014 | 6,710,658.14 | NA | NA |
| 44755 | DURBAN | KOKSTAD AND EBONGWENI PRISON: MAINTENANCE FOR BUILDINGS,WET AND RELATED SERVICES, AND CIVIL INFRASTRUCTURE | 2921732 | F000013239 | 22/04/2014 | 3,137,847.43 | NA | NA |
| 44016 | DURBAN | REPAIR AND MAINTENANCE OF INTEGRATED SECURITY SYSTEM | 979081 | F000018636 | 16/04/2014 | 13,466,977.90 | NA | NA |
| 44487 | DURBAN | PIETERMARITZBURG OLD AND NEW PRISON : MAINTENACE FOR BULK ELECTRICAL AND MECHANICAL INSTALLATIONS | 979081 | F000018636 | 16/04/2014 | 33,004,282.53 | NA | NA |
| 50144 | PORT ELIZABETH | SOUTHDENE GARAGE: COMPLETE CONSTRUCTION BOUNDARY WALL/ FENCE | 817804 | F000014250 | 03/04/2014 | 520,016.09 | NA | NA |
| 41658 | PRETORIA | PAROLE BOARD FACILITIES: UPGRADING AND EXPANSION OF EXISTING AND PROVISION OF NEW STRUCTURES\_(EXISTING). | 1374851 | F000013101 | 31/03/2014 | 422,884.38 | NA | NA |
| 46424 | PRETORIA | PRETORIA MANAGEMENT AREA: UPGRADING OF EXISTING 'C' MAX FACILITY INTO A HIGH SECURITY DETENTION FACILITY | 1374851 | F000013101 | 31/03/2014 | 88,441,918.88 | NA | NA |
|  |  |  |  |  |  | 184,201,173.66 | 1,010,939.41 | 4,697,182.92 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | 189,909,295.99 |

Property, Plant and Equipment will be overstated and the depreciation calculations and the impairment calculations will also be misstated

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should insure that a proper split between the amount that was the condition of buildings used was the condition as at 1 April 2013 so that the split between land and buildings will be allocated based on the condition which does not include refurbishments incurred after the transfer of functions.

**Management response**Management of the PMTE elected to use the provisions of Directive 7 to value the immovable assets on 1 April 2013 using Deemed Cost. As such, the provisions allow management to apply an estimated value for the purpose of valuing the immovable assets at 1 April 2013.

1. With the objective of ensuring that the estimate used to value the immovable assets at 1 April 2013 is a close approximation of the fair value of the assets on that date, the approach taken by management was to use all relevant inputs at their disposal including Market data, construction industry data and condition assessments.
2. Note that the purpose of the condition assessments was not to quantify or value the extent of any refurbishments or improvements on the property, but merely to assess if there were any indicators that a valuation estimate based on the value of similar properties should be adjusted/ impaired.
3. All input data used to determine the deemed cost was considered and used to determine a valuation at 1 April 2013. Any accounting for additions, disposals, impairments or refurbishments, would be accounted for at actual cost from 1 April 2013 going forward.
4. The WCS projects that have been capitalized are all projects that were either in progress or completed after 1 April 2013. All projects in WCS completed before 1 April 2013 have been excluded as they are considered to be included in the valuation of the immovable assets at 1 April 2013;
5. The observations made by the auditor are valid from the perspective that the value used for Deemed cost purposes meets all of the following criteria:
   1. Building indices (BI) were used;
   2. The nature of the linked WCS project is that it increases the occupational capacity of the underlying facility (i.e. increases the square meterage of the facility) as the BI would be applied to the additional square meters.

With reference to the attached schedule, J920.7b Annexure A COF 96 Analysis Schedule, the following additional observations can be made:

1. Of the 48 projects presented as part of COF 96, 5 of the projects are of the nature where they would have an impact on the square meterage of the underlying property;
2. 1 of the 5 identified projects (WCS 43801) used Building indices as the basis to determine the deemed cost (i.e. meets both of the above criteria);
3. The Deemed cost in the IAR of this facility is R3,531,218 and the project spend per WCS is R4,974,127. Note that the WCS project spend is more than the total Deemed cost at a facility level which confirms that the value in the IAR for this facility does does not include the WCS project spend. By not capitalizing the project

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 13 July 2016

**Auditor’s conclusion**

Management response is noted; however the finding remains unresolved for the following reasons:

Renovations and upgrades affect the condition of the building unless they are repairs and maintenance which are not capitalised to the cost of the buildings as they are not improvements.

The conditional assessment is used as a basis to assign a split between land and buildings to assign deemed cost and the conditional grading is used to determine the depreciated replacement cost.

The assertion made by management implied that the expenditure incurred on the renovations and refurbishments should have been expensed in this regard.

The finding has not been resolved.

1. **Immovable Assets: Differences between the building indices calculation of average vacant land ratios and auditor’s calculations**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

During the audit of the immovable assets the building indices average vacant land ratios were calculated based on the accounting policy of Entity (Fair Value Position Paper), differences to the value of R 1 194 389 264 as per the attached Annexure A (AVL) were identified.

The property plant and equipment of the entity is misstated.

**Internal control deficiency**

## Financial and Performance Management

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

**Recommendation**

Management should review information used to prepare financial statements to ensure that amounts disclosed on the financial statements are accurate and agree to supporting documentation. Furthermore, management should prepare financial information as per the FV positon paper.

**Management response**

Management disagrees with the finding, due to the following reasons:

1. Management used the entire database of disclosed and not disclosed vacant properties, for which Municipal Valuation Roll Values and Sales Comparison Values could be obtained, in terms of the deemed cost model, in order to calculate the average vacant land ratios (AVL’s).
2. An executive management decision was made on 24 January 2016, whereby it was decided that all properties, with values below R100, 000 and above R100, 000,000 will be excluded from the calculation as this may distort the AVL calculation. This was omitted from the Annexure to the deemed cost position paper, however have subsequently been updated. The AGSA did not take this fact into account in their recalculation.
3. The AVL has been derived by taking the major metropolitan areas and property strong holdings of PMTE into account.
   * 1. Land is divided into two lots: Smaller than 10,000sqm and larger than 10,000sqm. This is in order to determine what is most likely to be residential (<10,000sqm), and what is farm land/ agricultural land (>10,000sqm).
     2. The available vacant land in the 2 groups has been further divided into 4 areas (GP, KZN, WC and other). The municipalities used to create the groupings are as follows:
     3. GP - City of Johannesburg Metropolitan Municipality, City of Tshwane Metropolitan Municipality and Ekurhuleni Metropolitan Municipality
     4. KZN - Msunduzi Local Municipality and eThekwini Metropolitan Municipality
     5. WC - City of Cape Town Metropolitan Municipality, Saldanha Bay Local Municipality, Drakenstein Local Municipality and Stellenbosch Local Municipality. The AVL is then further divided into greater than and less than 10,000 sqm groups.
4. It should be noted that land will only be valued in term of the derived buckets/ stratums for GP, KZN and WC if they fall within these Municipalities as listed above. For e.g. even though PRINCE ALBERT LOCAL MUNICIPALITY, falls within the WC the AVL for “OTHER” regions will be used as this does not fall within major metropolitan areas as derived by management.

The AGSA applied a blanket approach for e.g. all Municipalities located in the WC through their derived AVL calculation.

1. The AGSA calculated their own AVL ratio based on information contained in “bucket 2” or the deemed cost application, this land file cannot be used as facilities are clustered in terms of the Parent ID’s for these land parcels. The table below refers:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Unique Property Code | Site ID | Parent ID | extent of land parcels | Value |
| 751401 | 1E+11 | 100000048951 | 251491452.3 | R 89 382 697.66 |

For e.g. for property code 751401 the parent ID contains 103 land parcels where the extent as per the spreadsheet contains the extent for all 103 land parcels and the value of R89 mil is a further a sum of the 103 land parcels contained in this facility. Using this information will distort the AVL calculation. The AGSA should use the AVL file as used by management, as it was further confirmed through physical verification that these land parcels are vacant.

Please find attached the following files:

* Final AVL's 24 04 2016 (002) – relating to AVL calculation of management
* 31.05.2016 Annexure to the Deemed Cost Model\_v7 – containing the updated approach on the calculation of AVL

The table below outlines the recalculation of the land values by management, where no differences where identified.

Please refer to: Annexure A (AVL)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Unique Property Code** | **DEEMED COST FOR DISCLOSURE** | **Client Allocation AVL from BI bucket** | **Region Split as per FV position Paper** | **Above/below 10000 sqm** | **Recalculated amount as per hectare** | **Difference** | **Recalculated land value by auditor** | **Difference** | Municipality | Avl applied | Extent of land parcel | Recalculated value | Diff | Infrastructure | Final Diff |
| 3162971 | 87 983.78 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **17 917.89** | **70 065.89** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 3.2994 | 88 872.51 | 888.73 | 888.73 | -0.00 |
| 777941 | 4 915 195.87 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **990 969.64** | **3 924 226.23** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 182.4771 | 4 915 195.87 | -0.00 |  | -0.00 |
| 716231 | 5 584 351.69 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **1 125 880.46** | **4 458 471.23** | DRAKENSTEIN LOCAL MUNICIPALITY | 26935.96 | 207.3195717 | 5 584 351.69 | 0.00 |  | 0.00 |
| 603612 | 7 636 393.14 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **1 539 599.63** | **6 096 793.51** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 283.5018 | 7 636 393.14 | 0.00 |  | 0.00 |
| 2942491 | 8 082 010.89 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **1 629 442.17** | **6 452 568.72** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 300.0454 | 8 082 010.89 | 0.00 |  | 0.00 |
| 3180791 | 46 912 481.67 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **42 375 014.11** | **4 537 467.56** | BERGRIVIER LOCAL MUNICIPALITY | 6012.16 | 7802.933 | 46 912 481.67 | -0.00 |  | -0.00 |
| 3011381 | 46 912 481.67 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **42 375 014.11** | **4 537 467.56** | BERGRIVIER LOCAL MUNICIPALITY | 6012.16 | 7802.933 | 46 912 481.67 | -0.00 |  | -0.00 |
| S42\_31032015\_00952 | 6 294 838.65 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **9 464 412.23** | **(3 169 573.58)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 1742.7764 | 6 294 838.65 | -0.00 |  | -0.00 |
| S42\_31032015\_00953 | 4 863 782.62 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **7 312 791.69** | **(2 449 009.07)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 1346.5771 | 4 863 782.62 | 0.00 |  | 0.00 |
| S42\_31032015\_00956 | 5 973 676.53 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **8 981 538.75** | **(3 007 862.22)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 1653.8601 | 5 973 676.53 | -0.00 |  | -0.00 |
| S42\_31032015\_00957 | 5 626 359.12 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **8 459 340.28** | **(2 832 981.16)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 1557.7025 | 5 626 359.12 | 0.00 |  | 0.00 |
| S42\_31032015\_00958 | 5 362 168.81 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **8 062 125.01** | **(2 699 956.20)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 1484.5593 | 5 362 168.81 | -0.00 |  | -0.00 |
| S42\_31032015\_00959 | 10 209 617.79 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **15 350 358.75** | **(5 140 740.96)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 2826.6143 | 10 209 617.79 | -0.00 |  | -0.00 |
| S42\_31032015\_00960 | 7 242 534.60 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **10 889 291.51** | **(3 646 756.91)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 2005.1536 | 7 242 534.60 | -0.00 |  | -0.00 |
| S42\_31032015\_00961 | 8 110 907.57 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **12 194 907.16** | **(4 083 999.59)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 2245.5696 | 8 110 907.57 | 0.00 |  | 0.00 |
| S42\_31032015\_00962 | 8 250 615.30 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **12 404 960.43** | **(4 154 345.13)** | PRINCE ALBERT LOCAL MUNICIPALITY | 3611.96 | 2284.2488 | 8 250 615.30 | -0.00 |  | -0.00 |
| 714111 | 4 986 627.89 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **4 549 809.52** | **436 818.37** | MATZIKAMA LOCAL MUNICIPALITY | 6012.16 | 837.8017 | 5 036 997.87 | 50 369.98 | 50369.98 | -0.00 |
| 939331 | 17 865 367.66 | 6 012.15 | WC | **Above** | 5 430.65 | **(581.50)** | **16 137 420.98** | **1 727 946.68** | OUDTSHOORN LOCAL MUNICIPALITY | 6012.15 | 2971.5439 | 17 865 367.66 | -0.00 |  | -0.00 |
| 1539091 | 18 878 372.38 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **17 052 419.05** | **1 825 953.33** | PRINCE ALBERT LOCAL MUNICIPALITY | 6012.16 | 3140.0316 | 18 878 372.38 | 0.00 |  | 0.00 |
| 3048081 | 11 346 228.31 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **10 248 798.78** | **1 097 429.53** | PRINCE ALBERT LOCAL MUNICIPALITY | 6012.16 | 1887.2133 | 11 346 228.31 | 0.00 |  | 0.00 |
| DEEDS18387 | 24 529 428.83 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **22 156 894.20** | **2 372 534.63** | BITOU LOCAL MUNICIPALITY | 6012.16 | 4079.9694 | 24 529 428.83 | -0.00 |  | -0.00 |
| DEEDS18386 | 26 171 625.08 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **23 640 254.00** | **2 531 371.08** | BITOU LOCAL MUNICIPALITY | 6012.16 | 4353.1152 | 26 171 625.08 | 0.00 |  | 0.00 |
| 741811 | 23 705 485.70 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **21 628 933.81** | **2 076 551.89** | BEAUFORT WEST LOCAL MUNICIPALITY | 6012.16 | 3982.7508 | 23 944 935.05 | 239 449.35 | 239449.35 | -0.00 |
| 897801 | 24 842 822.29 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **22 439 975.62** | **2 402 846.67** | BITOU LOCAL MUNICIPALITY | 6012.16 | 4132.096 | 24 842 822.29 | -0.00 |  | -0.00 |
| 769381 | 25 640 964.79 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **23 394 868.90** | **2 246 095.89** | MATZIKAMA LOCAL MUNICIPALITY | 6012.16 | 4307.93 | 25 899 964.43 | 258 999.64 | 258999.64 | -0.00 |
| 3025571 | 30 553 205.21 | 6 012.15 | WC | **Above** | 5 430.65 | **(581.50)** | **27 598 084.97** | **2 955 120.24** | BREEDE VALLEY LOCAL MUNICIPALITY | 6012.15 | 5081.91 | 30 553 205.21 | -0.00 |  | -0.00 |
| DEEDS23482 | 30 448 414.30 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **27 781 195.70** | **2 667 218.60** | MATZIKAMA LOCAL MUNICIPALITY | 6012.16 | 5115.628 | 30 755 974.04 | 307 559.74 | 307559.74 | -0.00 |
| DEEDS18396 | 41 034 959.78 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **37 065 977.71** | **3 968 982.07** | BITOU LOCAL MUNICIPALITY | 6012.16 | 6825.3273 | 41 034 959.78 | -0.00 |  | -0.00 |
| 787281 | 8 471 642.05 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **1 707 997.05** | **6 763 645.00** | SALDANHA BAY LOCAL MUNICIPALITY | 26935.96 | 314.5104925 | 8 471 642.05 | -0.00 |  | -0.00 |
| 797621 | 7 221 912.42 | 6 012.15 | WC | **Above** | 5 430.65 | **(581.50)** | **6 523 405.69** | **698 506.73** | WITZENBERG LOCAL MUNICIPALITY | 6012.15 | 1201.2196 | 7 221 912.42 | -0.00 |  | -0.00 |
| 639301 | 4 809 961.69 | 6 012.15 | WC | **Above** | 5 430.65 | **(581.50)** | **4 344 739.95** | **465 221.74** | CAPE AGHULAS LOCAL MUNICIPALITY | 6012.15 | 800.0402 | 4 809 961.69 | -0.00 |  | -0.00 |
| 639303 | 6 183 217.91 | 6 012.15 | WC | **Above** | 5 430.65 | **(581.50)** | **5 585 174.20** | **598 043.71** | CAPE AGHULAS LOCAL MUNICIPALITY | 6012.15 | 1028.4537 | 6 183 217.91 | 0.00 |  | 0.00 |
| 602292 | 24 934 426.93 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **5 027 116.05** | **19 907 310.88** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 925.6929 | 24 934 426.93 | -0.00 |  | -0.00 |
| 628181 | 17 825 666.14 | 26 935.96 | WC | **Above** | 5 430.65 | **(21 505.31)** | **3 593 894.20** | **14 231 771.94** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 661.7795 | 17 825 666.14 | 0.00 |  | 0.00 |
| 880661 | 6 156 224.62 | 3 611.96 | WC | **Above** | 5 430.65 | **1 818.69** | **9 256 003.36** | **(3 099 778.74)** | OUDTSHOORN LOCAL MUNICIPALITY | 3611.96 | 1704.4 | 6 156 224.62 | 0.00 |  | 0.00 |
| 576721 | 3 091 755.77 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **3 678 499.97** | **(586 744.20)** | !KAI! GARIB LOCAL MUNICIPALITY | 3611.96 | 855.9773 | 3 091 755.77 | -0.00 |  | -0.00 |
| DEEDS179188 | 5 633 936.82 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 027 077.17** | **1 606 859.65** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.16 | 937.0903 | 5 633 936.82 | -0.00 |  | -0.00 |
| 583591 | 7 573 014.16 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 467 786.57** | **2 105 227.59** | KAI !GARIB LOCAL MUNICIPALITY | 6012.16 | 1272.3396 | 7 649 509.25 | 76 495.09 | 76495.09 | -0.00 |
| 563871 | 7 736 212.41 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 529 761.05** | **2 206 451.36** | MIER LOCAL MUNICIPALITY | 6012.16 | 1286.7609 | 7 736 212.41 | 0.00 |  | 0.00 |
| 572781 | 8 111 515.49 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 798 023.64** | **2 313 491.85** | MIER LOCAL MUNICIPALITY | 6012.16 | 1349.1849 | 8 111 515.49 | -0.00 |  | -0.00 |
| DEEDS27200 | 8 872 158.94 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 341 723.36** | **2 530 435.58** | RENOSTERBERG LOCAL MUNICIPALITY | 6012.16 | 1475.7024 | 8 872 158.94 | 0.00 |  | 0.00 |
| 947361 | 9 916 536.40 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **7 088 244.88** | **2 828 291.52** | EMTHANJENI LOCAL MUNICIPALITY | 6012.15 | 1649.416 | 9 916 536.40 | 0.00 |  | 0.00 |
| DEEDS178870 | 5 147 024.00 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 679 037.15** | **1 467 986.85** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.16 | 856.1023 | 5 147 024.00 | 0.00 |  | 0.00 |
| DEEDS178871 | 9 914 428.20 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 086 726.16** | **2 827 702.04** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.16 | 1649.0626 | 9 914 428.20 | 0.00 |  | 0.00 |
| DEEDS178872 | 8 020 710.83 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 733 117.45** | **2 287 593.38** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.16 | 1334.0814 | 8 020 710.83 | -0.00 |  | -0.00 |
| DD30082014\_020798 | 11 257 385.42 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 046 657.48** | **3 210 727.94** | OTHER | 6012.16 | 1872.4361 | 11 257 385.42 | 0.00 |  | 0.00 |
| 3064261 | 12 170 251.96 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 787 034.96** | **3 383 217.00** | DIKGATLONG LOCAL MUNICIPALITY | 6012.16 | 2044.72 | 12 293 183.80 | 122 931.84 | 122931.84 | -0.00 |
| 3064281 | 38 395 409.31 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **27 721 842.18** | **10 673 567.13** | DIKGATLONG LOCAL MUNICIPALITY | 6012.16 | 6450.8 | 38 783 241.73 | 387 832.42 | 387832.42 | -0.00 |
| DEEDS45291 | 57 874 855.81 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **41 368 321.66** | **16 506 534.15** | DIKGATLONG LOCAL MUNICIPALITY | 6012.16 | 9626.3 | 57 874 855.81 | -0.00 |  | -0.00 |
| 584511 | 13 597 821.91 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **9 719 576.20** | **3 878 245.71** | KAI !GARIB LOCAL MUNICIPALITY | 6012.16 | 2261.7199 | 13 597 821.91 | 0.00 |  | 0.00 |
| DEEDS45303 | 14 087 860.47 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **10 069 867.21** | **4 017 993.26** | KGATELOPELE LOCAL MUNICIPALITY | 6012.15 | 2343.2317 | 14 087 860.47 | -0.00 |  | -0.00 |
| DEEDS179713 | 14 359 420.10 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 263 958.35** | **4 095 461.75** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.16 | 2388.3962 | 14 359 420.10 | -0.00 |  | -0.00 |
| DEEDS45285 | 18 691 387.17 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **13 360 423.83** | **5 330 963.34** | KGATELOPELE LOCAL MUNICIPALITY | 6012.15 | 3108.9356 | 18 691 387.17 | -0.00 |  | -0.00 |
| 3105851 | 18 856 439.42 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **13 478 379.18** | **5 378 060.24** | !KHEIS LOCAL MUNICIPALITY | 6012.16 | 3136.3835 | 18 856 439.42 | 0.00 |  | 0.00 |
| 3139671 | 17 712 125.27 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **12 788 318.98** | **4 923 806.29** | !KHEIS LOCAL MUNICIPALITY | 6012.16 | 2975.8083 | 17 891 035.63 | 178 910.36 | 178910.36 | -0.00 |
| 3076261 | 9 253 869.15 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 890 172.60** | **2 363 696.55** | DIKGATLONG LOCAL MUNICIPALITY | 6012.16 | 1603.3251 | 9 639 447.03 | 385 577.88 | 385577.88 | 0.00 |
| 570111 | 56 370 939.84 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **40 293 338.77** | **16 077 601.07** | MIER LOCAL MUNICIPALITY | 6012.16 | 9376.1543 | 56 370 939.84 | -0.00 |  | -0.00 |
| 561301 | 81 911 114.37 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **58 549 179.60** | **23 361 934.77** | MIER LOCAL MUNICIPALITY | 6012.16 | 13624.2406 | 81 911 114.37 | -0.00 |  | -0.00 |
| 569591 | 60 060 961.96 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **42 930 926.72** | **17 130 035.24** | MIER LOCAL MUNICIPALITY | 6012.16 | 9989.9141 | 60 060 961.96 | -0.00 |  | -0.00 |
| 586411 | 56 084 538.57 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **40 088 622.24** | **15 995 916.33** | MIER LOCAL MUNICIPALITY | 6012.16 | 9328.5173 | 56 084 538.57 | 0.00 |  | 0.00 |
| 565641 | 81 547 721.98 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **58 289 430.65** | **23 258 291.33** | MIER LOCAL MUNICIPALITY | 6012.16 | 13563.7977 | 81 547 721.98 | 0.00 |  | 0.00 |
| 582371 | 75 433 466.48 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **53 919 026.88** | **21 514 439.60** | MIER LOCAL MUNICIPALITY | 6012.16 | 12546.8162 | 75 433 466.48 | 0.00 |  | 0.00 |
| 561621 | 55 870 719.11 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **39 935 786.40** | **15 934 932.71** | MIER LOCAL MUNICIPALITY | 6012.16 | 9292.9528 | 55 870 719.11 | -0.00 |  | -0.00 |
| 569921 | 74 468 953.09 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **53 229 603.12** | **21 239 349.97** | MIER LOCAL MUNICIPALITY | 6012.16 | 12386.3891 | 74 468 953.09 | 0.00 |  | 0.00 |
| 578381 | 15 173 882.60 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 846 127.35** | **4 327 755.25** | MIER LOCAL MUNICIPALITY | 6012.16 | 2523.8654 | 15 173 882.60 | 0.00 |  | 0.00 |
| 564781 | 57 785 298.67 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **41 304 307.19** | **16 480 991.48** | MIER LOCAL MUNICIPALITY | 6012.16 | 9611.404 | 57 785 298.67 | 0.00 |  | 0.00 |
| 573091 | 61 352 091.95 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **43 853 812.49** | **17 498 279.46** | MIER LOCAL MUNICIPALITY | 6012.16 | 10204.6672 | 61 352 091.95 | 0.00 |  | 0.00 |
| 581541 | 9 916 628.65 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 088 299.02** | **2 828 329.63** | MIER LOCAL MUNICIPALITY | 6012.16 | 1649.4286 | 9 916 628.65 | 0.00 |  | 0.00 |
| 590011 | 77 581 237.90 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **55 454 230.68** | **22 127 007.22** | MIER LOCAL MUNICIPALITY | 6012.16 | 12904.0541 | 77 581 237.90 | -0.00 |  | -0.00 |
| 569081 | 83 720 502.78 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **59 842 510.88** | **23 877 991.90** | MIER LOCAL MUNICIPALITY | 6012.16 | 13925.1954 | 83 720 502.78 | -0.00 |  | -0.00 |
| 568671 | 82 566 587.10 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **59 017 704.43** | **23 548 882.67** | MIER LOCAL MUNICIPALITY | 6012.16 | 13733.2651 | 82 566 587.10 | 0.00 |  | 0.00 |
| 563521 | 79 705 444.65 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **56 972 590.71** | **22 732 853.94** | MIER LOCAL MUNICIPALITY | 6012.16 | 13257.3725 | 79 705 444.65 | -0.00 |  | -0.00 |
| 566441 | 66 178 217.52 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **47 303 474.91** | **18 874 742.61** | MIER LOCAL MUNICIPALITY | 6012.16 | 11007.3946 | 66 178 217.52 | -0.00 |  | -0.00 |
| 583151 | 58 414 801.28 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **41 754 268.86** | **16 660 532.42** | MIER LOCAL MUNICIPALITY | 6012.16 | 9716.1089 | 58 414 801.28 | 0.00 |  | 0.00 |
| 579201 | 55 796 488.77 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **39 882 727.36** | **15 913 761.41** | MIER LOCAL MUNICIPALITY | 6012.16 | 9280.6061 | 55 796 488.77 | 0.00 |  | 0.00 |
| 587531 | 63 994 442.29 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **45 742 535.96** | **18 251 906.33** | MIER LOCAL MUNICIPALITY | 6012.16 | 10644.1682 | 63 994 442.29 | -0.00 |  | -0.00 |
| 575051 | 68 250 178.60 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **48 784 490.30** | **19 465 688.30** | MIER LOCAL MUNICIPALITY | 6012.16 | 11352.023 | 68 250 178.60 | -0.00 |  | -0.00 |
| 583481 | 77 394 765.34 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **55 320 942.11** | **22 073 823.23** | MIER LOCAL MUNICIPALITY | 6012.16 | 12873.0382 | 77 394 765.34 | 0.00 |  | 0.00 |
| 800851 | 20 150 276.70 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **14 403 200.08** | **5 747 076.62** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 3351.5869 | 20 150 276.70 | -0.00 |  | -0.00 |
| 720461 | 35 082 078.48 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **25 076 290.67** | **10 005 787.81** | NAMA KHOI LOCAL MUNCIPALITY | 6012.16 | 5835.1871 | 35 082 078.48 | -0.00 |  | -0.00 |
| 572971 | 49 406 240.86 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **35 315 047.19** | **14 091 193.67** | //KHARA HAIS LOCAL MUNICIPALITY | 6012.16 | 8217.7189 | 49 406 240.86 | 0.00 |  | 0.00 |
| 1655541 | 12 596 170.21 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **9 003 606.38** | **3 592 563.83** | THEMBELIHLE LOCAL MUNICIPALITY | 6012.16 | 2095.1156 | 12 596 170.21 | -0.00 |  | -0.00 |
| 3152631 | 59 542 396.32 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **42 560 261.61** | **16 982 134.71** | NAMA KHOI LOCAL MUNCIPALITY | 6012.16 | 9903.6613 | 59 542 396.32 | 0.00 |  | 0.00 |
| 585431 | 49 406 162.29 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **35 315 049.77** | **14 091 112.52** | //KHARA HAIS LOCAL MUNICIPALITY | 6012.15 | 8217.7195 | 49 406 162.29 | 0.00 |  | 0.00 |
| 757991 | 20 639 545.08 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **14 752 923.83** | **5 886 621.25** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 3432.9667 | 20 639 545.08 | -0.00 |  | -0.00 |
| 757271 | 56 586 967.57 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **40 447 753.06** | **16 139 214.51** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 9412.0861 | 56 586 967.57 | -0.00 |  | -0.00 |
| 2970391 | 23 719 425.45 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **16 954 389.05** | **6 765 036.40** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 3945.241884 | 23 719 425.45 | -0.00 |  | -0.00 |
| 789451 | 21 442 853.99 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **15 327 120.37** | **6 115 733.62** | NAMA KHOI LOCAL MUNCIPALITY | 6012.16 | 3566.580728 | 21 442 853.99 | -0.00 |  | -0.00 |
| 877781 | 24 199 004.12 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **17 297 186.70** | **6 901 817.42** | THEMBELIHLE LOCAL MUNICIPALITY | 6012.16 | 4025.01 | 24 199 004.12 | 0.00 |  | 0.00 |
| DEEDS17934 | 25 005 299.11 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **17 873 517.65** | **7 131 781.46** | KAI !GARIB LOCAL MUNICIPALITY | 6012.16 | 4159.1207 | 25 005 299.11 | -0.00 |  | -0.00 |
| 807381 | 25 238 894.74 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **18 040 489.28** | **7 198 405.46** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 4197.974561 | 25 238 894.74 | -0.00 |  | -0.00 |
| 808221 | 23 342 191.96 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **16 684 746.63** | **6 657 445.33** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 3882.4968 | 23 342 191.96 | 0.00 |  | 0.00 |
| D31032014\_163415 | 38 493 275.25 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **27 514 577.28** | **10 978 697.97** | OTHER | 6012.16 | 6402.57 | 38 493 275.25 | 0.00 |  | 0.00 |
| DEEDS178530 | 41 774 662.88 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **29 860 077.70** | **11 914 585.18** | KAI !GARIB LOCAL MUNICIPALITY | 6012.16 | 6948.3618 | 41 774 662.88 | -0.00 |  | -0.00 |
| 788731 | 42 184 119.83 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **30 457 326.37** | **11 726 793.46** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 7087.34 | 42 610 222.05 | 426 102.22 | 426102.22 | 0.00 |
| 1546221 | 53 028 717.14 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **37 904 417.15** | **15 124 299.99** | //KHARA HAIS LOCAL MUNICIPALITY | 6012.15 | 8820.2585 | 53 028 717.14 | 0.00 |  | 0.00 |
| 573401 | 31 858 420.89 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **37 904 417.15** | **(6 045 996.26)** | !KAI! GARIB LOCAL MUNICIPALITY | 3611.96 | 8820.2585 | 31 858 420.89 | 0.00 |  | 0.00 |
| 794551 | 54 713 742.64 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **39 108 792.12** | **15 604 950.52** | NAMA KHOI LOCAL MUNICIPALITY | 6012.16 | 9100.5134 | 54 713 742.64 | 0.00 |  | 0.00 |
| 581421 | 27 536 730.98 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **32 762 569.79** | **(5 225 838.81)** | MIER LOCAL MUNICIPALITY | 3611.96 | 7623.7641 | 27 536 730.98 | -0.00 |  | -0.00 |
| 587721 | 48 130 320.33 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **34 403 090.21** | **13 727 230.12** | MIER LOCAL MUNICIPALITY | 6012.15 | 8005.5089 | 48 130 320.33 | 0.00 |  | 0.00 |
| 564691 | 49 712 831.84 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **35 534 254.22** | **14 178 577.62** | MIER LOCAL MUNICIPALITY | 6012.15 | 8268.7278 | 49 712 831.84 | 0.00 |  | 0.00 |
| 3152081 | 10 299 197.73 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **7 361 767.51** | **2 937 430.22** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 1713.064 | 10 299 197.73 | -0.00 |  | -0.00 |
| 524863 | 9 265 716.36 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **6 623 044.96** | **2 642 671.40** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 1541.1652 | 9 265 716.36 | -0.00 |  | -0.00 |
| 524865 | 10 933 567.93 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **7 815 209.23** | **3 118 358.70** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 1818.5787 | 10 933 567.93 | 0.00 |  | 0.00 |
| 5248610 | 9 625 870.60 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **6 880 479.75** | **2 745 390.85** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 1601.0696 | 9 625 870.60 | -0.00 |  | -0.00 |
| 5248611 | 5 149 598.86 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 680 883.76** | **1 468 715.10** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 856.532 | 5 149 598.86 | 0.00 |  | 0.00 |
| 5248614 | 12 622 018.33 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **9 022 097.35** | **3 599 920.98** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 2099.4184 | 12 622 018.33 | 0.00 |  | 0.00 |
| 5248615 | 18 513 874.83 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **13 233 539.72** | **5 280 335.11** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 3079.41 | 18 513 874.83 | 0.00 |  | 0.00 |
| 5248616 | 7 825 770.96 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **5 593 785.84** | **2 231 985.12** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 1301.6593 | 7 825 770.96 | 0.00 |  | 0.00 |
| 5248620 | 5 407 078.81 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 864 927.94** | **1 542 150.87** | GA-SEGONYANA LOCAL MUNICIPALITY | 6012.15 | 899.3586 | 5 407 078.81 | -0.00 |  | -0.00 |
| 583721 | 5 149 598.86 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 680 883.76** | **1 468 715.10** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 856.532 | 5 149 598.86 | 0.00 |  | 0.00 |
| 562101 | 5 812 841.22 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 154 963.01** | **1 657 878.21** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 966.849 | 5 812 841.22 | -0.00 |  | -0.00 |
| 568881 | 5 657 675.44 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 044 052.01** | **1 613 623.43** | KAREEBERG LOCAL MUNICIPALITY | 6012.15 | 941.0403 | 5 657 675.44 | -0.00 |  | -0.00 |
| 581661 | 7 724 398.30 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **5 521 325.63** | **2 203 072.67** | KAREEBERG LOCAL MUNICIPALITY | 6012.15 | 1284.798 | 7 724 398.30 | -0.00 |  | -0.00 |
| 576191 | 5 186 641.52 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 707 361.49** | **1 479 280.03** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 862.6933 | 5 186 641.52 | 0.00 |  | 0.00 |
| 586271 | 19 855 325.58 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **14 192 395.82** | **5 662 929.76** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 3302.5333 | 19 855 325.58 | -0.00 |  | -0.00 |
| 567581 | 5 186 615.67 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 707 343.01** | **1 479 272.66** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 862.689 | 5 186 615.67 | 0.00 |  | 0.00 |
| 530361 | 12 446 437.79 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **14 808 485.70** | **(2 362 047.91)** | OTHER | 3611.96 | 3445.8958 | 12 446 437.79 | 0.00 |  | 0.00 |
| 5248621 | 6 841 452.14 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 890 204.21** | **1 951 247.93** | DIKGATLONG LOCAL MUNICIPALITY | 6012.15 | 1137.9377 | 6 841 452.14 | 0.00 |  | 0.00 |
| 577301 | 5 573 062.48 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **6 630 701.69** | **(1 057 639.21)** | KAREEBERG LOCAL MUNICIPALITY | 3611.96 | 1542.9469 | 5 573 062.48 | 0.00 |  | 0.00 |
| 562981 | 8 463 659.17 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **10 069 867.21** | **(1 606 208.04)** | DIKGATLONG LOCAL MUNICIPALITY | 3611.96 | 2343.2317 | 8 463 659.17 | 0.00 |  | 0.00 |
| 456851 | 5 108 665.74 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 651 625.15** | **1 457 040.59** | RAMOTSHERE MOILOA LOCAL MUNICIPALITY | 6012.15 | 849.7236 | 5 108 665.74 | 0.00 |  | 0.00 |
| DEEDS182272 | 10 909 651.71 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 798 101.18** | **3 111 550.53** | KAGISANO/MOLOPO LOCAL MUNICIPALITY | 6012.16 | 1814.5977 | 10 909 651.71 | -0.00 |  | -0.00 |
| DEEDS139834 | 6 671 165.87 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **7 937 199.86** | **(1 266 033.99)** | MORETELE LOCAL MUNICIPALITY | 3611.96 | 1846.9656 | 6 671 165.87 | -0.00 |  | -0.00 |
| DEEDS182271 | 11 000 986.51 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 942 814.45** | **3 058 172.06** | KAGISANO/MOLOPO LOCAL MUNICIPALITY | 6012.16 | 1848.2721 | 11 112 107.59 | 111 121.08 | 111121.08 | -0.00 |
| 588201 | 13 876 976.95 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 019 306.26** | **3 857 670.69** | NALEDI LOCAL MUNICIPALITY | 6012.16 | 2331.4663 | 14 017 148.43 | 140 171.48 | 140171.48 | 0.00 |
| DEEDS178854 | 14 523 243.64 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 381 057.65** | **4 142 185.99** | GREATER TAUNG LOCAL MUNICIPALITY | 6012.16 | 2415.6449 | 14 523 243.64 | 0.00 |  | 0.00 |
| DEEDS179419 | 14 905 887.42 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **10 654 585.01** | **4 251 302.41** | KAGISANO/MOLOPO LOCAL MUNICIPALITY | 6012.15 | 2479.294 | 14 905 887.42 | 0.00 |  | 0.00 |
| DEEDS179389 | 18 448 365.64 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **13 319 891.36** | **5 128 474.28** | NALEDI LOCAL MUNICIPALITY | 6012.16 | 3099.5038 | 18 634 712.77 | 186 347.13 | 186347.13 | -0.00 |
| DEEDS179410 | 18 448 365.64 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **13 319 891.36** | **5 128 474.28** | NALEDI LOCAL MUNICIPALITY | 6012.16 | 3099.5038 | 18 634 712.77 | 186 347.13 | 186347.13 | -0.00 |
| DEEDS178966 | 20 158 363.05 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **14 408 980.12** | **5 749 382.93** | KAGISANO/MOLOPO LOCAL MUNICIPALITY | 6012.16 | 3352.9319 | 20 158 363.05 | 0.00 |  | 0.00 |
| 505261 | 41 430 687.59 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **29 614 257.14** | **11 816 430.45** | LEKWA-TEEMANE LOCAL MUNICIPALITY | 6012.15 | 6891.16 | 41 430 687.59 | 0.00 |  | 0.00 |
| 82981 | 11 553 216.18 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **8 258 127.84** | **3 295 088.34** | TLOKWE LOCAL MUNICIPALITY | 6012.15 | 1921.6447 | 11 553 216.18 | 0.00 |  | 0.00 |
| 2059051 | 12 489 507.53 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **14 859 729.08** | **(2 370 221.55)** | TLOKWE LOCAL MUNICIPALITY | 3611.96 | 3457.82 | 12 489 507.53 | -0.00 |  | -0.00 |
| 5561 | 10 271 618.19 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **7 342 053.92** | **2 929 564.27** | TLOKWE LOCAL MUNICIPALITY | 6012.15 | 1708.4767 | 10 271 618.19 | 0.00 |  | 0.00 |
| D31032014\_153880 | 5 564 955.08 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **6 621 055.68** | **(1 056 100.60)** | RAMOTSHERE MOILOA LOCAL MUNICIPALITY | 3611.96 | 1540.7023 | 5 564 955.08 | -0.00 |  | -0.00 |
| D31032014\_155318 | 51 735 276.36 | 26 385.45 | Other | **Above** | 4 297.43 | **(22 088.02)** | **8 426 180.88** | **43 309 095.48** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1960.7502 | 51 735 276.36 | 0.00 |  | 0.00 |
| D31032014\_155581 | 8 209 238.85 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **9 767 163.75** | **(1 557 924.90)** | OTHER | 3611.96 | 2272.7934 | 8 209 238.85 | -0.00 |  | -0.00 |
| DEEDS124826 | 6 795 007.56 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 856 997.99** | **1 938 009.57** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1130.2107 | 6 795 007.56 | 0.00 |  | 0.00 |
| DEEDS125041 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125042 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125043 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125044 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125045 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125047 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125049 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125050 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125051 | 5 756 557.23 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **4 114 724.91** | **1 641 832.32** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 957.4857 | 5 756 557.23 | -0.00 |  | -0.00 |
| DEEDS125286 | 11 557 017.05 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 260 830.93** | **3 296 186.12** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1922.2737 | 11 557 017.05 | -0.00 |  | -0.00 |
| DEEDS125302 | 11 557 017.05 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 260 830.93** | **3 296 186.12** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1922.2737 | 11 557 017.05 | -0.00 |  | -0.00 |
| DEEDS125303 | 11 557 017.05 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 260 830.93** | **3 296 186.12** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1922.2737 | 11 557 017.05 | -0.00 |  | -0.00 |
| DEEDS125311 | 11 557 017.05 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 260 830.93** | **3 296 186.12** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1922.2737 | 11 557 017.05 | -0.00 |  | -0.00 |
| DEEDS125321 | 5 418 647.38 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 873 190.61** | **1 545 456.77** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 901.2813 | 5 418 647.38 | 0.00 |  | 0.00 |
| DEEDS125322 | 5 418 647.38 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 873 190.61** | **1 545 456.77** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 901.2813 | 5 418 647.38 | 0.00 |  | 0.00 |
| DEEDS145601 | 8 805 390.90 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 293 998.28** | **2 511 392.62** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1464.5969 | 8 805 390.90 | -0.00 |  | -0.00 |
| DEEDS145605 | 5 290 948.50 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 781 912.83** | **1 509 035.67** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 880.0412 | 5 290 948.50 | 0.00 |  | 0.00 |
| DEEDS145606 | 5 290 948.50 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 781 912.83** | **1 509 035.67** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 880.0412 | 5 290 948.50 | 0.00 |  | 0.00 |
| DEEDS145607 | 9 235 975.79 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 601 775.71** | **2 634 200.08** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 1536.2159 | 9 235 975.79 | -0.00 |  | -0.00 |
| DEEDS145616 | 4 798 426.34 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 429 863.31** | **1 368 563.03** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 798.1202 | 4 798 426.34 | 0.00 |  | 0.00 |
| D31032014\_144053 | 20 701 610.41 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **14 797 287.46** | **5 904 322.95** | OTHER | 6012.16 | 3443.29 | 20 701 610.41 | -0.00 |  | -0.00 |
| DEEDS31032015\_0141692 | 20 416 391.13 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **14 593 415.81** | **5 822 975.32** | OTHER | 6012.16 | 3395.8496 | 20 416 391.13 | 0.00 |  | 0.00 |
| DEEDS128289 | 17 324 520.01 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **12 383 379.73** | **4 941 140.28** | BUSHBUCKRIDGE LOCAL MUNICIPALITY | 6012.16 | 2881.58 | 17 324 520.01 | 0.00 |  | 0.00 |
| 472741 | 17 616 470.50 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **12 592 062.79** | **5 024 407.71** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 2930.14 | 17 616 470.50 | 0.00 |  | 0.00 |
| 481351 | 18 324 582.71 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **13 098 213.74** | **5 226 368.97** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 3047.92 | 18 324 582.71 | -0.00 |  | -0.00 |
| DEEDS147612 | 19 585 994.00 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **13 999 856.91** | **5 586 137.09** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 3257.73 | 19 585 994.00 | -0.00 |  | -0.00 |
| DEEDS128313 | 21 325 852.98 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **15 243 489.31** | **6 082 363.67** | MBOMBELA LOCAL MUNICIPALITY | 6012.16 | 3547.12 | 21 325 852.98 | -0.00 |  | -0.00 |
| 470221 | 24 760 835.06 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **17 698 777.39** | **7 062 057.67** | THABA CHWEU LOCAL MUNICIPALITY | 6012.16 | 4118.4591 | 24 760 835.06 | 0.00 |  | 0.00 |
| 3182301 | 16 380 162.80 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **11 708 382.87** | **4 671 779.93** | STEVE TSHWETE LOCAL MUNICIPALITY | 6012.15 | 2724.51 | 16 380 162.80 | -0.00 |  | -0.00 |
| DEEDS20162 | 5 062 805.18 | 6 012.16 | WC | **Above** | 5 430.65 | **(581.51)** | **4 573 120.70** | **489 684.48** | SWARTLAND LOCAL MUNICIPALITY | 6012.16 | 842.0942184 | 5 062 805.18 | -0.00 |  | -0.00 |
| 3208191 | 6 154 695.32 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **7 322 715.07** | **(1 168 019.75)** | THABA CHWEU LOCAL MUNICIPALITY | 3611.96 | 1703.9766 | 6 154 695.32 | 0.00 |  | 0.00 |
| D31032014\_144096 | 7 130 862.91 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **8 484 136.84** | **(1 353 273.93)** | MBOMBELA LOCAL MUNICIPALITY | 3611.96 | 1974.2364 | 7 130 862.91 | -0.00 |  | -0.00 |
| DD30082014\_157980 | 7 019 219.03 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **8 351 305.52** | **(1 332 086.49)** | OTHER | 3611.96 | 1943.3269 | 7 019 219.03 | -0.00 |  | -0.00 |
| DD30082014\_158400 | 6 476 537.57 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **7 705 635.59** | **(1 229 098.02)** | OTHER | 3611.96 | 1793.0812 | 6 476 537.57 | 0.00 |  | 0.00 |
| DD30082014\_172676 | 9 620 517.22 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **11 446 270.34** | **(1 825 753.12)** | OTHER | 3611.96 | 2663.5171 | 9 620 517.22 | 0.00 |  | 0.00 |
| DD30082014\_172791 | 5 115 669.52 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **6 086 506.04** | **(970 836.52)** | BUSHBUCKRIDGE LOCAL MUNICIPALITY | 3611.96 | 1416.314 | 5 115 669.52 | -0.00 |  | -0.00 |
| S4200009 | 10 812 692.66 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **12 864 693.28** | **(2 052 000.62)** | BUSHBUCKRIDGE LOCAL MUNICIPALITY | 3611.96 | 2993.5804 | 10 812 692.66 | 0.00 |  | 0.00 |
| DEEDS149340 | 5 466 393.55 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 907 319.05** | **1 559 074.50** | MAKHADO LOCAL MUNICIPALITY | 6012.16 | 909.2229 | 5 466 393.55 | 0.00 |  | 0.00 |
| 441841 | 5 741 594.83 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 104 036.78** | **1 637 558.05** | MARULENG LOCAL MUNICIPALITY | 6012.15 | 954.9986 | 5 741 594.83 | 0.00 |  | 0.00 |
| DEEDS149905 | 6 123 610.45 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 377 097.87** | **1 746 512.58** | GREATER TZANEEN LOCAL MUNICIPALITY | 6012.15 | 1018.5392 | 6 123 610.45 | 0.00 |  | 0.00 |
| 3044491 | 7 214 592.00 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 156 912.42** | **2 057 679.58** | GREATER GIYANI LOCAL MUNICIPALITY | 6012.16 | 1200 | 7 214 592.00 | - |  | - |
| DEEDS148604 | 9 570 331.84 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 840 769.81** | **2 729 562.03** | GREATER LETABA LOCAL MUNICIPALITY | 6012.16 | 1591.8292 | 9 570 331.84 | 0.00 |  | 0.00 |
| DEEDS143111 | 11 141 390.42 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 963 745.50** | **3 177 644.92** | THABAZIMBI LOCAL MUNICIPALITY | 6012.16 | 1853.1427 | 11 141 390.42 | -0.00 |  | -0.00 |
| 508801 | 11 249 142.68 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **8 040 779.03** | **3 208 363.65** | BA-PHALABORWA LOCAL MUNICIPALITY | 6012.15 | 1871.0682 | 11 249 142.68 | -0.00 |  | -0.00 |
| 424271 | 19 793 993.83 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **14 148 556.48** | **5 645 437.35** | BA-PHALABORWA LOCAL MUNICIPALITY | 6012.15 | 3292.332 | 19 793 993.83 | 0.00 |  | 0.00 |
| 51941 | 12 041 644.64 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 607 237.49** | **3 434 407.15** | MODIMOLLE LOCAL MUNICIPALITY | 6012.16 | 2002.8816 | 12 041 644.64 | 0.00 |  | 0.00 |
| DEEDS151346 | 15 053 401.53 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **10 760 026.68** | **4 293 374.85** | MUSINA LOCAL MUNICIPALITY | 6012.15 | 2503.83 | 15 053 401.53 | 0.00 |  | 0.00 |
| 1354761 | 15 068 682.76 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 879 728.93** | **4 188 953.83** | MOGALAKWENA LOCAL MUNICIPALITY | 6012.16 | 2531.6844 | 15 220 891.68 | 152 208.92 | 152208.92 | 0.00 |
| 421121 | 16 186 270.96 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **11 569 790.85** | **4 616 480.11** | MARULENG LOCAL MUNICIPALITY | 6012.15 | 2692.26 | 16 186 270.96 | -0.00 |  | -0.00 |
| D31032014\_121455 | 5 941 612.80 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **7 069 194.38** | **(1 127 581.58)** | THABAZIMBI LOCAL MUNICIPALITY | 3611.96 | 1644.983 | 5 941 612.80 | -0.00 |  | -0.00 |
| 79871 | 11 890 572.32 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **14 147 129.73** | **(2 256 557.41)** | BA-PHALABORWA LOCAL MUNICIPALITY | 3611.96 | 3292 | 11 890 572.32 | - |  | - |
| 26052 | 11 891 771.49 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **14 148 556.48** | **(2 256 784.99)** | GREATER TZANEEN LOCAL MUNICIPALITY | 3611.96 | 3292.332 | 11 891 771.49 | 0.00 |  | 0.00 |
| 2829971 | 63 801 953.96 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **45 604 947.39** | **18 197 006.57** | MAKHADO LOCAL MUNICIPALITY | 6012.16 | 10612.1517 | 63 801 953.96 | 0.00 |  | 0.00 |
| 1463341 | 5 194 746.52 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **6 180 590.04** | **(985 843.52)** | MUSINA LOCAL MUNICIPALITY | 3611.96 | 1438.2071 | 5 194 746.52 | -0.00 |  | -0.00 |
| 459451 | 17 470 887.05 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **12 488 022.08** | **4 982 864.97** | MOGALAKWENA LOCAL MUNICIPALITY | 6012.15 | 2905.93 | 17 470 887.05 | -0.00 |  | -0.00 |
| 482441 | 55 014.78 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **39 324.04** | **15 690.74** | STEVE TSHWETE LOCAL MUNICIPALITY | 6012.15 | 9.1506 | 55 014.78 | -0.00 |  | -0.00 |
| 32451 | 5 149 598.86 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 680 883.76** | **1 468 715.10** | MOGALAKWENA LOCAL MUNICIPALITY | 6012.15 | 856.532 | 5 149 598.86 | 0.00 |  | 0.00 |
| 1355243 | 8 040 292.29 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **5 747 123.62** | **2 293 168.67** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 1337.3406 | 8 040 292.29 | -0.00 |  | -0.00 |
| 3164551 | 7 763 682.89 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **5 549 405.88** | **2 214 277.01** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 1291.3322 | 7 763 682.89 | -0.00 |  | -0.00 |
| 3169601 | 12 873 997.16 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **9 202 209.39** | **3 671 787.77** | BA-PHALABORWA LOCAL MUNICIPALITY | 6012.15 | 2141.33 | 12 873 997.16 | -0.00 |  | -0.00 |
| 1355242 | 5 037 385.69 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **3 600 674.86** | **1 436 710.83** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 837.8676 | 5 037 385.69 | 0.00 |  | 0.00 |
| DODDB0877 | 11 320 544.17 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **8 091 816.13** | **3 228 728.04** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 1882.9444 | 11 320 544.17 | 0.00 |  | 0.00 |
| DODDB0910 | 8 987 248.60 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **6 423 998.89** | **2 563 249.71** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 1494.8477 | 8 987 248.60 | -0.00 |  | -0.00 |
| DODDB0912 | 42 032 075.74 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **30 044 123.61** | **11 987 952.13** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 6991.1888 | 42 032 075.74 | 0.00 |  | 0.00 |
| DD30082014\_175230 | 5 695 809.17 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **6 776 742.87** | **(1 080 933.70)** | OTHER | 3611.96 | 1576.9303 | 5 695 809.17 | -0.00 |  | -0.00 |
| 421751 | 548 061.58 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **391 749.15** | **156 312.43** | POLOKWANE LOCAL MUNICIPALITY | 6012.15 | 91.159 | 548 061.58 | 0.00 |  | 0.00 |
| 1019941 | 5 107 400.26 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **3 335 336.86** | **1 772 063.40** | UMNGENI LOCAL MUNICIPALITY | 6012.16 | 849.5117 | 5 107 400.26 | 0.00 |  | 0.00 |
| 1119681 | 4 847 293.78 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **3 165 476.91** | **1 681 816.87** | UMNGENI LOCAL MUNICIPALITY | 6012.16 | 806.2483 | 4 847 293.78 | -0.00 |  | -0.00 |
| 1123071 | 5 102 475.10 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **3 332 120.53** | **1 770 354.57** | UMNGENI LOCAL MUNICIPALITY | 6012.16 | 848.6925 | 5 102 475.10 | 0.00 |  | 0.00 |
| 1507661 | 13 323 159.39 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **8 700 556.51** | **4 622 602.88** | NDWEDWE LOCAL MUNICIPALITY | 6012.16 | 2216.0354 | 13 323 159.39 | 0.00 |  | 0.00 |
| 1510441 | 9 909 194.33 | 3 358.72 | KZN | **Above** | 3 926.18 | **567.46** | **11 583 368.79** | **(1 674 174.46)** | ETHEKWINI METROPOLITAN MUNICIPALITY | 3358.72 | 2950.2889 | 9 909 194.33 | 0.00 |  | 0.00 |
| 3037883 | 4 908 484.94 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **3 205 437.19** | **1 703 047.75** | MTUBATUBA LOCAL MUNICIPALITY | 6012.16 | 816.4262 | 4 908 484.94 | 0.00 |  | 0.00 |
| 3037882 | 5 053 721.29 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **3 300 282.34** | **1 753 438.95** | MTUBATUBA LOCAL MUNICIPALITY | 6012.16 | 840.5833 | 5 053 721.29 | 0.00 |  | 0.00 |
| 3026241 | 14 167 674.28 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **9 252 058.54** | **4 915 615.74** | NKANDLA LOCAL MUNICIPALITY | 6012.16 | 2356.5032 | 14 167 674.28 | -0.00 |  | -0.00 |
| 1506471 | 15 102 796.03 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **9 862 730.48** | **5 240 065.55** | KWADUKUZA LOCAL MUNICIPALITY | 6012.16 | 2512.0416 | 15 102 796.03 | -0.00 |  | -0.00 |
| 3026171 | 17 128 905.37 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **11 185 861.00** | **5 943 044.37** | UMHLABUYALINGANA LOCAL MUNICIPALITY | 6012.16 | 2849.0435 | 17 128 905.37 | -0.00 |  | -0.00 |
| 3026151 | 35 216 501.35 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **22 997 785.36** | **12 218 715.99** | UMHLABUYALINGANA LOCAL MUNICIPALITY | 6012.16 | 5857.5456 | 35 216 501.35 | 0.00 |  | 0.00 |
| 3007241 | 85 643 019.00 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **55 928 320.32** | **29 714 698.68** | UMHLABUYALINGANA LOCAL MUNICIPALITY | 6012.16 | 14244.9667 | 85 643 019.00 | -0.00 |  | -0.00 |
| 1019171 | 20 184 475.07 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **13 181 270.35** | **7 003 204.72** | EMNAMBITHI/LADYSMITH LOCAL MUNICIPALITY | 6012.16 | 3357.2751 | 20 184 475.07 | -0.00 |  | -0.00 |
| 1056571 | 20 327 980.97 | 6 012.15 | KZN | **Above** | 3 926.18 | **(2 085.97)** | **13 275 007.53** | **7 052 973.44** | ENDUMENI LOCAL MUNICIPALITY | 6012.15 | 3381.15 | 20 327 980.97 | 0.00 |  | 0.00 |
| DEEDS85815 | 21 017 640.20 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **13 725 360.54** | **7 292 279.66** | KWA SANI LOCAL MUNICIPALITY | 6012.16 | 3495.8551 | 21 017 640.20 | -0.00 |  | -0.00 |
| DEEDS90871 | 21 299 635.75 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **13 909 514.93** | **7 390 120.82** | MTUBATUBA LOCAL MUNICIPALITY | 6012.16 | 3542.7593 | 21 299 635.75 | 0.00 |  | 0.00 |
| 1128671 | 26 849 266.46 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **17 533 645.97** | **9 315 620.49** | UMNGENI LOCAL MUNICIPALITY | 6012.16 | 4465.827 | 26 849 266.46 | -0.00 |  | -0.00 |
| DEEDS91374 | 30 332 081.28 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **19 808 063.50** | **10 524 017.78** | DANNHAUSER LOCAL MUNICIPALITY | 6012.16 | 5045.1221 | 30 332 081.28 | 0.00 |  | 0.00 |
| D31032014\_43213 | 9 023 227.27 | 3 611.96 | KZN | **Above** | 3 926.18 | **314.22** | **9 808 199.75** | **(784 972.48)** | OTHER | 3611.96 | 2498.1526 | 9 023 227.27 | -0.00 |  | -0.00 |
| DD30082014\_103071 | 10 684 568.13 | 3 611.96 | KZN | **Above** | 3 926.18 | **314.22** | **11 614 068.38** | **(929 500.25)** | OTHER | 3611.96 | 2958.1081 | 10 684 568.13 | 0.00 |  | 0.00 |
| 1684191 | 8 522 500.35 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **9 343 786.46** | **(821 286.11)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 323 | 8 522 500.35 | - |  | - |
| DOD00159 | 77 573 223.00 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **85 048 706.51** | **(7 475 483.51)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 2940 | 77 573 223.00 | - |  | - |
| 394491 | 56 499.16 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **61 943.81** | **(5 444.65)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 2.1413 | 56 499.16 | 0.00 |  | 0.00 |
| 53981 | 6 584 504.88 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **7 219 032.56** | **(634 527.68)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 249.5506 | 6 584 504.88 | -0.00 |  | -0.00 |
| DODDB2504 | 79 740 787.71 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **87 425 152.51** | **(7 684 364.80)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 3022.15 | 79 740 787.72 | 0.00 |  | 0.00 |
| 2959091 | 8 347 253.47 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **9 151 651.60** | **(804 398.13)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 316.3582 | 8 347 253.47 | -0.00 |  | -0.00 |
| 2130971 | 15 831 270.00 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **17 356 878.88** | **(1 525 608.88)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 600 | 15 831 270.00 | - |  | - |
| 2129251 | 15 831 270.00 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **17 356 878.88** | **(1 525 608.88)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 600 | 15 831 270.00 | - |  | - |
| 1243969 | 16 882 635.19 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **18 509 560.78** | **(1 626 925.59)** | EKURHULENI METROPOLITAN MUNICIPALITY | 26385.45 | 639.8464 | 16 882 635.19 | 0.00 |  | 0.00 |
| 2956781 | 19 763 158.52 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **21 667 670.93** | **(1 904 512.41)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 749.0173 | 19 763 158.52 | -0.00 |  | -0.00 |
| 2551804 | 24 628 070.85 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **27 001 399.31** | **(2 373 328.46)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 933.3959 | 24 628 070.85 | -0.00 |  | -0.00 |
| 3031511 | 45 127 491.60 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **49 476 283.70** | **(4 348 792.10)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1710.3173 | 45 127 491.60 | -0.00 |  | -0.00 |
| 78051 | 67 938 312.08 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **74 485 310.03** | **(6 546 997.95)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 2574.84 | 67 938 312.08 | 0.00 |  | 0.00 |
| 376701 | 5 385 856.10 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **5 904 873.84** | **(519 017.73)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 204.1222 | 5 385 856.10 | -0.00 |  | -0.00 |
| 406461 | 5 872 295.62 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **6 438 189.98** | **(565 894.36)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 222.5581 | 5 872 295.62 | -0.00 |  | -0.00 |
| 456131 | 47 099 682.62 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **51 638 528.46** | **(4 538 845.84)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1785.0627 | 47 099 682.62 | -0.00 |  | -0.00 |
| 380791 | 20 170 032.71 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **22 113 754.28** | **(1 943 721.57)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 764.4377 | 20 170 032.71 | -0.00 |  | -0.00 |
| 969362 | 448 516.61 | 6 012.15 | KZN | **Above** | 3 926.18 | **(2 085.97)** | **292 899.79** | **155 616.82** | EMNAMBITHI/LADYSMITH LOCAL MUNICIPALITY | 6012.15 | 74.6017 | 448 516.61 | 0.00 |  | 0.00 |
| 45931 | 8 343 406.47 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **9 147 433.88** | **(804 027.41)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 316.2124 | 8 343 406.47 | -0.00 |  | -0.00 |
| 6211 | 6 407 722.36 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **7 025 214.08** | **(617 491.72)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 242.8506 | 6 407 722.36 | 0.00 |  | 0.00 |
| 10341 | 15 417 160.92 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **16 902 863.43** | **(1 485 702.51)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 584.3054 | 15 417 160.92 | -0.00 |  | -0.00 |
| 2560151 | 7 038 991.62 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **7 717 316.74** | **(678 325.12)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 266.7755 | 7 038 991.62 | -0.00 |  | -0.00 |
| 87801 | 34 226 770.38 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **37 525 094.82** | **(3 298 324.44)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1297.1835 | 34 226 770.38 | 0.00 |  | 0.00 |
| 3031551 | 16 721 763.11 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **18 333 185.96** | **(1 611 422.85)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 633.7494 | 16 721 763.11 | -0.00 |  | -0.00 |
| 12669349 | 14 630 468.17 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **16 040 359.62** | **(1 409 891.45)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 554.49 | 14 630 468.17 | -0.00 |  | -0.00 |
| 1297511 | 9 354 520.66 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **10 255 985.91** | **(901 465.25)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 354.5333 | 9 354 520.66 | 0.00 |  | 0.00 |
| 130739 | 3 946 954.61 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **4 327 310.01** | **(380 355.40)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 149.5883 | 3 946 954.61 | 0.00 |  | 0.00 |
| 460602 | 28 757 552.09 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **31 528 825.45** | **(2 771 273.36)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1089.9019 | 28 757 552.09 | -0.00 |  | -0.00 |
| 375831 | 5 310 525.64 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **5 822 284.02** | **(511 758.38)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 201.2672 | 5 310 525.64 | 0.00 |  | 0.00 |
| DOD00082 | 14 630 468.17 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **16 040 359.62** | **(1 409 891.45)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 554.49 | 14 630 468.17 | -0.00 |  | -0.00 |
| DOD00083 | 14 630 468.17 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **16 040 359.62** | **(1 409 891.45)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 554.49 | 14 630 468.17 | -0.00 |  | -0.00 |
| DOD00084 | 14 630 468.17 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **16 040 359.62** | **(1 409 891.45)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 554.49 | 14 630 468.17 | -0.00 |  | -0.00 |
| 3208121 | 29 657 245.80 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **32 515 219.77** | **(2 857 973.97)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 1124 | 29 657 245.80 | - |  | - |
| DOD00078 | 675 934.54 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **741 072.19** | **(65 137.65)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 25.6177 | 675 934.54 | -0.00 |  | -0.00 |
| 82302 | 1 014 626.09 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **1 112 402.37** | **(97 776.28)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 38.454 | 1 014 626.09 | 0.00 |  | 0.00 |
| 3182121 | 4 761 630.72 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 437 941.61** | **1 323 689.11** | MASILONYANA LOCAL MUNICIPALITY | 6012.16 | 800 | 4 809 728.00 | 48 097.28 | 48097.28 | 0.00 |
| D31032014\_26972 | 35 776 463.80 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **42 566 014.57** | **(6 789 550.77)** | OTHER | 3611.96 | 9905 | 35 776 463.80 | - |  | - |
| DD30082014\_060430 | 24 701 954.24 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **29 389 817.57** | **(4 687 863.33)** | MASILONYANA LOCAL MUNICIPALITY | 3611.96 | 6838.9335 | 24 701 954.24 | 0.00 |  | 0.00 |
| EC332\_31 | 12 811 837.39 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **15 243 229.74** | **(2 431 392.35)** | BUFFALO CITY METROPOLITAN MUNICIPALITY | 3611.96 | 3547.0596 | 12 811 837.39 | 0.00 |  | 0.00 |
| 870311 | 5 109 045.19 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **3 651 890.30** | **1 457 154.89** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 849.7853 | 5 109 045.19 | -0.00 |  | -0.00 |
| 890601 | 8 557 839.01 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 117 050.87** | **2 440 788.14** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 1423.4217 | 8 557 839.01 | -0.00 |  | -0.00 |
| 879111 | 9 074 355.10 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **6 486 250.99** | **2 588 104.11** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 1509.3336 | 9 074 355.10 | -0.00 |  | -0.00 |
| 881261 | 7 046 430.08 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **5 036 712.09** | **2 009 717.99** | NELSON MANDELA BAY METROPOLITAN MUNICIPALITY | 6012.16 | 1172.0297 | 7 046 430.08 | 0.00 |  | 0.00 |
| 882131 | 10 817 897.73 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **7 732 516.42** | **3 085 381.31** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 1799.3363 | 10 817 897.73 | -0.00 |  | -0.00 |
| 874421 | 16 695 419.61 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **11 933 705.57** | **4 761 714.04** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 2776.942 | 16 695 419.61 | 0.00 |  | 0.00 |
| 883451 | 14 442 368.67 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 323 249.09** | **4 119 119.58** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 2402.193 | 14 442 368.67 | -0.00 |  | -0.00 |
| 901521 | 12 285 737.13 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **8 781 712.17** | **3 504 024.96** | NELSON MANDELA BAY METROPOLITAN MUNICIPALITY | 6012.16 | 2043.4814 | 12 285 737.13 | 0.00 |  | 0.00 |
| 939441 | 14 101 944.54 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 079 917.60** | **4 022 026.94** | SUNDAYS RIVER VALLEY LOCAL MUNICIPALITY | 6012.16 | 2345.5704 | 14 101 944.54 | -0.00 |  | -0.00 |
| 940111 | 14 364 451.67 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 267 554.87** | **4 096 896.80** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 2389.2331 | 14 364 451.67 | 0.00 |  | 0.00 |
| 1588731 | 21 885 035.11 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **15 801 198.64** | **6 083 836.47** | AMAHLATHI LOCAL MUNICIPALITY | 6012.16 | 3676.8975 | 22 106 096.07 | 221 060.96 | 221060.96 | 0.00 |
| 8321811 | 6 670 172.00 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **4 767 774.81** | **1 902 397.19** | MAKANA LOCAL MUNICIPALITY | 6012.15 | 1109.4487 | 6 670 172.00 | 0.00 |  | 0.00 |
| 832184 | 9 359 953.80 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **6 690 404.98** | **2 669 548.82** | MAKANA LOCAL MUNICIPALITY | 6012.15 | 1556.8397 | 9 359 953.80 | 0.00 |  | 0.00 |
| 937701 | 2 466 535.24 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **2 934 626.96** | **(468 091.72)** | GARIEP LOCAL MUNICIPALITY | 3611.96 | 682.88 | 2 466 535.24 | 0.00 |  | 0.00 |
| 940561 | 1 885 612.88 | 3 611.96 | Other | **Above** | 4 297.43 | **685.47** | **2 243 458.88** | **(357 846.00)** | INKWANCA LOCAL MUNICIPALITY | 3611.96 | 522.047 | 1 885 612.88 | 0.00 |  | 0.00 |
| 1262691 | 34 208.74 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **37 505.32** | **(3 296.58)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 1.2965 | 34 208.74 | -0.00 |  | -0.00 |
| 3166831 | 4 412.35 | 3 358.72 | KZN | **Above** | 3 926.18 | **567.46** | **5 157.82** | **(745.47)** | ETHEKWINI METROPOLITAN MUNICIPALITY | 3358.72 | 1.3137 | 4 412.35 | 0.00 |  | 0.00 |
| DEEDS58516 | 36 876.30 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **40 429.96** | **(3 553.66)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 1.3976 | 36 876.30 | 0.00 |  | 0.00 |
| 1560384 | 11 445.93 | 6 012.15 | Other | **Above** | 4 297.43 | **(1 714.72)** | **8 181.44** | **3 264.49** | BUFFALO CITY METROPOLITAN MUNICIPALITY | 6012.15 | 1.9038 | 11 445.93 | 0.00 |  | 0.00 |
| 60743 | 14 239.20 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **10 178.03** | **4 061.17** | TLOKWE CITY COUNCIL LOCAL MUNICIPALITY | 6012.16 | 2.3684 | 14 239.20 | -0.00 |  | -0.00 |
| 1021991 | 15 040.02 | 6 012.16 | KZN | **Above** | 3 926.18 | **(2 085.98)** | **9 821.73** | **5 218.29** | GREATER KOKSTAD LOCAL MUNICIPALITY | 6012.16 | 2.5016 | 15 040.02 | -0.00 |  | -0.00 |
| DOD00020 | 451 479 846.55 | 26 385.45 | GP | **Above** | 28 928.13 | **2 542.68** | **494 987 516.06** | **(43 507 669.51)** | CITY OF TSHWANE METROPOLITAN MUNICIPALITY | 26385.45 | 17110.9398 | 451 479 846.55 | -0.00 |  | -0.00 |
| 884031 | 359 419 955.00 | 6 012.16 | Other | **Above** | 4 297.43 | **(1 714.73)** | **256 909 500.70** | **102 510 454.30** | KOUGA LOCAL MUNICIPALITY | 6012.16 | 59782.1673 | 359 419 954.95 | -0.05 | 0 | -0.05 |
| 2067161 | 284 335.60 | 3 083 900.17 | Other | **Below** | 709 488.57 | **(2 374 411.60)** | **65 414.85** | **218 920.75** | POLOKWANE LOCAL MUNICIPALITY | 3083900.17 | 0.0922 | 284 335.60 | -0.00 |  | -0.00 |
| 992721 | 6 636 024.15 | 6 746 669.53 | KZN | **Below** | 2 940 563.77 | **(3 806 105.76)** | **2 892 338.53** | **3 743 685.62** | ETHEKWINI METROPOLITAN MUNICIPALITY | 6746669.53 | 0.9836 | 6 636 024.15 | -0.00 |  | -0.00 |
| 1093021 | 5 366 300.94 | 6 746 669.53 | KZN | **Below** | 2 940 563.77 | **(3 806 105.76)** | **2 338 924.43** | **3 027 376.51** | ETHEKWINI METROPOLITAN MUNICIPALITY | 6746669.53 | 0.7954 | 5 366 300.94 | 0.00 |  | 0.00 |
| 595366 | 2 300.33 | 26 935.96 | WC | **Below** | 9 359 788.17 | **9 332 852.21** | **799 325.91** | **(797 025.58)** | CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY | 26935.96 | 0.0854 | 2 300.33 | 0.00 |  | 0.00 |
| 2801356 | 7 849.67 | 26 385.45 | GP | **Below** | 2 480 624.86 | **2 454 239.41** | **737 985.89** | **(730 136.22)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 0.2975 | 7 849.67 | 0.00 |  | 0.00 |
| 1248989 | 12 279.79 | 26 385.45 | GP | **Below** | 2 480 624.86 | **2 454 239.41** | **1 154 482.81** | **(1 142 203.02)** | CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY | 26385.45 | 0.4654 | 12 279.79 | -0.00 |  | -0.00 |
| 496971 | 1 802.45 | 6 012.16 | Other | **Below** | 709 488.57 | **703 476.41** | **212 704.67** | **(210 902.22)** | LEKWA LOCAL MUNICIPALITY | 6012.16 | 0.2998 | 1 802.45 | -0.00 |  | -0.00 |

Name: Siboniso Sokhela

Position: Director:REIRS

Date: 14/07/2016

**Auditor’s conclusion**

The fair value position paper and the annexure provided to the auditors did not include the executive decision mentioned in the management’s response.

A documented process to assign values was discussed with management and reviewed by the audit team during interim audit. An annexure deviating from this initial process was submitted in response to a finding on 26 April 2016.

During the performance of our audit procedures, we have identified that management has deviated significantly from this agreed upon process. There is thus currently no credible process for us to audit, as this process is constantly changing, in response to findings raised by the audit team.

The finding remains as we need to first reassess the revised fair value model as a result of significant changes to made to the initial management assumptions that were agreed upon with the auditors.

We are therefore currently unable to obtain comfort that the process of assigning values to the assets acquired through the transfer of functions has been adequately finalised.

1. **Investment Property: Information requested could not be provided**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following information was requested but to date the following information has not been provided for audit purposes:

* Lease agreements as per RFI 23P issued 28 June 2016

**Internal control deficiency**

## Financial and performance management

Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe.

**Recommendation**

The required information should be provided as a matter of urgency.

**Management response**

No management response.

**Auditor’s conclusion**

Some of the information was submitted, however the following information was not submitted:

| **Unique Property Code** | **Site ID** | **Building value (R)** | **Land value (R)** |
| --- | --- | --- | --- |
| 3035941 | 100000011053 | 15185317.24 | 15185317.24 |
| 390401 | 100000035089 | 632376.99 | 70538247.82 |
| 1292731 | 100000011866 | 44351.163 | 244500 |
| 444401 | 100000013224 | 382082.176 | 254721.45 |
| 850121 | 100000019518 | 464000 | 464000 |
| 2944871 | 200000046968 | 54360 | 171146.08 |
| 496971 | 100000048396 | 470531.25 | 0 |
| 1108551 | 100000021882 | 80332.85 | 340190.581 |
| DEEDS123984 | 100000038123 | 42352.498 | 1085040 |
| 815462 | 100000019072 | 36049.668 | 28373.342 |
| 1458523 | 100000038461 | 3817934560 | 1061700000 |
| 496971 | 100000048396 | 761040 | 0 |
| 1108551 | 100000021882 | 101912.104 | 0 |
| DEEDS123984 | 100000038123 | 40028.275 | 0 |
| 815462 | 100000019072 | 10890.004 | 0 |
| 1458523 | 100000038461 | 214897429.2 | 0 |
| **Total** |  | **4 051 137 613.39** | **1 150 011 536.51** |

In terms of our engagement letter, audit findings concerning control deficiencies, identified misstatements in the financial statements and non-compliance with laws and regulations will be communicated during the course of the audit and management will be requested to address these. Submission of a response to these communications, whether it be comments, information or documentation in support of action taken, will be required within a reasonable time, which should not exceed three working days from the date of the communication of the finding, unless a different timeline is expressly agreed in writing with the auditors.

No management responses were submitted within the agreed timeframe in respect of this finding, and as such no responses will be taken into consideration in finalising the audit.

1. **Transfers: Information requested could not be provided**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following information was requested but to date the following information has not been provided for audit purposes:

The supporting documentation for all the completed construction project transfers that occurred from IDT to PMTE of completed assets for the 31 March 2013, 2014, 2015 and 2016 financial year end as per RFI 29P dated 4 July 2016

**Internal control deficiency**

## Financial and performance management

Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe.

**Recommendation**

The required information should be provided as a matter of urgency.

**Management response**

I am not in agreement with the finding; the information requested was submitted on the 08th of July

Name: Siboniso Sokhela

Position: Director: REIRS

Date: 2016/07/13

**Auditor’s Conclusion**

Management has subsequently provided the completion certificates however the supporting documentation illustrating the cumulative cost of the project, the transfer of the project to PMTE, the requisite approvals and receipt by PMTE have not been provided. The finding thus remains unresolved.

Leases

1. **Lease overpayments – misstatements**

**Audit finding**

Public Finance Management Act section 38(1)(c)(i) states that the accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to collect all money due to the department, trading entity or constitutional institution.

Generally Recognized Accounting Practice 1, paragraph 17 and 19(b) state the following:

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

19 In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity:

(b) to present information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information;”

In the prior period, it was identified that that amounts being paid to landlords by the entity were not in line with what was required as per the lease agreements. To this end, prepayments were raised for leases where the amount actually paid was greater than the amount required to be paid per the signed lease agreement.

During the audit of leases in the current period, we identified instances where leases that were overpaid in the prior periods were still being overpaid in the current period. In some instances overpayments were made to the extent that the total amount paid in respect of the lease, was greater than the total payments required in terms of the lease agreement. In these instances, the prepayment in the current period was impaired due to the amount prepaid being greater than the remaining payments to be made in terms of this lease agreement.

Overpayments made on leases where no further payment is required in terms of the lease cannot be accounted for together with prepayments, as these payments were never required.

As per inspection of the schedules supporting the financial statements, the amounts impaired in the current period were as follows:

|  |  |
| --- | --- |
| **Region** | **IMPAIRMENT OF PREPAYMENT** |
| Bloemfontein | R 1 938 985.41 |
| Kimberley | R 3 856 491.72 |
| Nelspruit | R 2 297 262.95 |
| Polokwane | R 2 908 382.68 |
| Port Elizabeth | R 12 584 054.95 |
| Pretoria | R 12 880 489.85 |
| Cape Town | R 14 797 329.23 |
| Johannesburg | R 12 939 390.13 |
| Mthatha | R 628 955.75 |
| Durban | R 10 119 287.89 |
| Mmabatho | R 501 038.30 |
| **TOTAL** | **R 75 451 668.85** |

Weaknesses in the PMIS system were not been timeously addressed, thus incorrect information was used to make payments to suppliers.

The process to recover funds from landlords was not timeously initiated when the overpayments were identified

This money may not be recoverable in instances where the lease agreement has expired or where there are insufficient remaining payments to be made in terms of this lease agreement. This will result in fruitless and wasteful expenditure.

Fruitless and wasteful expenditure as disclosed in the annual financial statements is understated as no amounts have been relating to the above have been included therein.

Prepayments are overstated as they include payments made to landlords that are not required in terms of lease agreements.

**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**

1. The system used to pay lessors for properties leased should be amended as a matter of urgency to ensure that amounts paid agree to amounts per lease agreement.
2. Where overpayments have been identified, these should be deducted from future payments if the lease is ongoing. If the lease has expired, these should be recovered from landlords.
3. The process to recover the funds from landlords should be expedited.
4. Payments made to landlords which were not required to be paid in advance in terms of the lease agreement should be disclosed separately from prepayments to achieve fair presentation.

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Lease Underpayments – Misstatements**

**Audit finding**

Public Finance Management Act section 38(1)(c)(i) states that the accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to collect all money due to the department, trading entity or constitutional institution.

PFMA section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards

Generally Recognised Accounting Practice (GRAP) Framework paragraph 118 states the following:

*An asset is recognised in the statement of financial position when it is probable that the future economic benefits or service potential will flow to the entity and the asset has a cost or value that can be measured reliably.*

GRAP 19 paragraph 17 states the following:

*A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity*

In the prior period, it was identified that that amounts being paid to landlords by the entity were not in line with what was required as per the lease agreements. Accruals were raised where actual payments were less than that required per the signed lease agreement. To this end, letters were sent to the landlords requesting confirmation of the balance outstanding from PMTE.

As payments made are recovered from client departments subsequent to payment being made, the underpayment to the landlord also results in an under claim from the client department.

During the audit of leases in the current period, we identified that a receivable (Revenue accrual) was raised for the amount that is expected to be recovered from client departments in respect of the under claim from client departments. As per discussion with management in this regard, this amount has not yet been invoiced to the client department, as the process of recovering the funds can only commence once there is confirmation from the landlord regarding the amount to be paid by PMTE.

As such, there is insufficient documentary evidence available to support the receivable currently being raised, and as at 31 March 2016, it does not meet the recognition requirements of an asset. In addition, as client departments are required to surrender surplus funds at the end of the financial year, in the absence of confirmation from client department that there is sufficient funds available to settle the unbilled amount, it cannot be said that it is probable that future economic benefits will flow to the entity.

The amount disclosed as such in the current period is R326 859 638

Weaknesses in the PMIS system were not been timeously addressed, thus incorrect information was used to make payments to suppliers.

The process to settle accounts with landlords was not timeously initiated when the underpayments were identified

Receivables from exchange transactions (Revenue accrual), and revenue from exchange transactions (Accom. Charges: leasehold) is overstated by R326 859 638.

**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 system used to pay lessors for properties leased should be amended as a matter of urgency to ensure that amounts paid agree to amounts per lease agreement.

The amounts that may be claimed from the client departments should be disclosed as a contingent asset until confirmation is received that the amount will be recovered.

**Management response**

Management response received on 14 July 2016

**Auditor’s conclusion**

Assessing management response

Deferred Revenue

1. **Deferred revenue not transferred to revenue for completed project**

**Audit finding**

Public Finance Management Act section 40(1) (b) of the PFMA states that*, “the*

*Accounting officer must prepare financial statements for each financial year in accordance with generally recognized accounting practice.”*

During the audit of deferred revenue the following misstatement was noted:

The project below was disclosed as being at status 5B (construction stage) in the schedule accompanying the financials. It was thus included in deferred revenue for the 2015/16 financial year.

As per inspection of the final completion certificate, we noted that the project had been completed prior to year end, as the completion certificate indicated that final delivery of service was taken on 30 November 2015. Thus all amounts recognised as deferred revenue in relation to this project should have been recognised as revenue in the 2015/16 financial period.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **WCS Numbers** | **Client Department** | **2016 Status** | **Restated Expenditure for**  **FY 2015/ 2016** | **Total expenditure incurred in relation to this project** |
| 25759 | SA POLICE SERVICE | 5B | 3 533 407 | 125 974 364 |

This will result in the overstatement of Deferred revenue, and an understatement of Accommodation charges: freehold intergovernmental to the amount of R125 974 364.00.

**Internal control deficiency**

Financial and performance management

The WCS system is not timeously updated as projects are completed.

**Recommendation**

Management should ensure that the WCS system is updated as soon a project reaches a new stage and a completion certificate is signed,

**Management response**

Management is in agreement with the finding and as a result management has reviewed the correctness of statuses for the entire population of assets under construction. As a result of the review, the following projects with incorrect statuses were identified and the statuses will be adjusted on WCS and AUC, PPE and depreciation will be adjusted accordingly:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **WCS No** | **REGION** | **PROJECT DESCRIPTION** | **Status on WCS 2016/03/31** | **Correct Status** | **Date of practical completion** | **Period capitalised** | **Amount Capitalised** | **Depreciation 2015** | **Depreciation 2016** |
| 1 | 051650 | CPT | 120 PLEIN: 11TH FLOOR COGTA - CONVERT ABLUTION TO DISABLED FRIENDLY ABLUTION | 5B | 6A | 2015-12-03 | 2016 | R 5 463 348,75 | 0 | R 59 373,38 |
| 2 | 025759 | CPT | REPAIR AND RENOVATION TO STATION. UPGRADING OF EXISTING CELL S. DEMOLISH STRUCTURES. CONSTRUCTION OF FACILITIES. | 5B | 7 | 26-Nov-14 | 2015 | R 125 974 364.00 | R 1 501 604.09 | R 4 199 145.48 |
| 3 | 037644 | DBN | SECURITY MEASURES, FENCING AND LIGHTING | 5B | 7 | 07-Jul-15 | 2016 | R 20 206 848,23 | 0 |  |
| 4 | 51564 | BFN | EDENBURG,,PRISON,IMPLEMENTATION OF EMERGENCY BACK-UP POWER SUPPLY | 5B | 7 | 2015-03-30 | 2015 | R 494 283,99 | R 54,17 |  |
| 5 | 51565 | BFN | FAURESMITH,,PRISON,IMPLEMENTATION OF EMERGENCY BACK-UP POWER SUPPLY | 5B | 7 | 2015-04-02 | 2016 | R 401 387,30 |  | R 16 011,50 |
| 6 | 51566 | BFN | FICKSBURG,,PRISON,IMPLEMENTATION OF EMERGENCY BACK-UP POWER SUPPLY | 5B | 7 | 2015-11-30 | 2016 | R 507 585,00 |  | R 6 786,34 |
| 7 | 51571 | BFN | HENNENMAN,,PRISON,IMPLEMENTATION OF EMERGENCY BACK-UP POWER SUPPLY | 5B | 7 | 2015-04-01 | 2016 | R 624 307,64 |  | R 24 972,31 |
| 8 | 51576 | BFN | LADYBRAND,,PRISON,INSTALLATION OF BACK UP POWER GENERATOR | 5B | 7 | 2015-04-01 | 2016 | R 395 204,15 |  | R 15 808,17 |
| 9 | 51587 | BFN | WINBURG,,PRISON,INSTALLATION OF BACK UP POWER GENERATOR AT WINBURG PRISON | 5B | 7 | 2015-11-30 | 2016 | R 399 847,89 |  | R 5 345,91 |
| 10 | 49914 | BFN | BLOEMFONTEIN,,,TEMPE AREA MILITARY HEALTH UNIT: REPAIR & RENOVATION TO BUIL DINGS 427 & 537 | 5B | 6A | 2015-12-22 | 2016 | R 454 545,68 |  | R 4 981,32 |
|  |  |  |  |  |  |  |  | **R 154 921 722.63** | **R 1 501 658.26** | **R 4 332 424.41** |

Name: N Vilakazi

Position: Regional Manager

Date: 2016-07-12

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 18 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

Payables from exchange transactions

1. **Municipal Services: Invalid accrual raised and included in accruals listing.**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) Section 40 stipulates that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice”.

The department’s Payable management system states that:

“Municipal services: an accrual is raised on municipal accounts issued in arrears for electricity, water, refuse and sewerage for state owned and leased properties.

a) To ensure completeness, the total database of municipal service payments made during the reporting period is analysed in order to identify the period of the financial year that municipal services was not paid for. A best estimate is then assessed to raise an accrual thereon.”

An accrual was not raised based on the last invoice received during the year as prescribed by the payables management system and payment had already been made before the year end 31 March 2016 for the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Number** | **Supplier name** | **Accrual Description** | **Invoice number** | **Invoice received date** | **Date when goods and services received** | **Payment date** | **Accrual amount [R]** |
| 1 | DELTA PROPERTY FUND LTD - HALL | Municipal services: Electricity | 05910001/201507 | 18-Jun-15 | 16/04/2015-14/05/2015 | 26-Jun-15 | 5 805 746.61 |
| 2 | DELTA PROPERTY FUND LTD - HALL | Municipal services: Electricity | 05910001/201604 | 22-Mar-16 | 12/01/2016-10/02/2016 | 24-Mar-16 | 1 148 395.68 |

This will result in an overstatement of accruals by R5 805 706.61.

**Internal control deficiency**

## Financial and performance management

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

Management did not review the supporting documentation on the payment batch prior to populating the accrual listing

**Recommendation**

Management should ensure that all information is captured correctly in the schedules supporting the financial and all schedules are reviewed by a second person to ensure that it has been recorded correctly.

The supporting documentation for the items on the accrual listing should be reviewed prior to populating the accrual listing

**Management response**

Management is in agreement with the finding as indicated in the table below and will make the necessary adjustments in the financial statements of 31 March 2016.

**Journal Entry:**

DT: Accounts Payables – R 6 954 142.29

CT: Municipal services: Electricity – R 6 954 142.29

Name: M Dondashe

Position: Acting RM

Date: 14-Jul-2016

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 19 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

1. **Accruals: Payment advices for Accrual assets not submitted for audit purposes**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that tthe accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or any staff member or representative of the auditee.

The following payments were requested as per Request 39A of 2015/16 on 24 June 2016.

The payments have therefore not been received to date.

| **Number** | **WCS No** | **PROVINCE** | **Client Department** | **DESCRIPTION** | **Link to IAR - Property Code** | **2014/ 2015 Accrual based on payments post capitalisation date[R]** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 45856 | PRETORIA | DEFENCE | GENERAL PIET JOUBERT TRAINING AREA: MURRAY HILL: SPECIAL FOR CES SCHOOL: REPAIR AND RENOVATIONS TO SEWERAGE, ELECTRICAL A ND WATER SUPPLY SYSTEMS | 029880 | 3 545 819.93 |
| 2 | 45639 | PRETORIA | DPW - PRESTIGE | HERITAGE - CONSTRUCTION OF OUTER BOUNDARY FENCE | 3120100 | 6 711 849.78 |
| 3 | 47901 | PRETORIA | DPW - DEPARTMENTAL | DPW MINNAAR STREET WORKSHOPS - PHASE ONE UPGRADE AND REFURBISHMENT | 017511 | 585 803.07 |
| 4 | 50745 | PRETORIA | GOVERNMENT PRINTING WORKS | SECURITY WALL FOR GOVERNMENT PRINTING WORKS AT VISAGIE STREET | 2778260 | 1 601 072.51 |
| 5 | 48495 | PRETORIA | ARTS AND CULTURE | HERITAGE - UPGRADING OF FIRE PROTECTION SYSTEM AND REFURBISH MENT OF HVA C AND RELATED INSTALLATIONS | 042280 | 42 567 150.48 |
| 6 | 48985 | PRETORIA | CORRECTIONAL SERVICES | ZONDERWATER MED A, ZONDERWATER MED B AND ZONDERWATER TRAININ G COLLEGE : IMPLEMENTATION OF EMERGENCY BACK-UP POWER SUPPLY | 028520 | 109 689.27 |
| **Total** | | | | | | **55 121 385.04** |

More findings of this nature could have a limitation of scope impact on the audit report.

**Internal control deficiency**

## Financial and performance management

Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe.

**Recommendation**

Management should provide the required information as a matter of urgency.

**Management response:**

Management is in agreement that the documents were not provided at the time that the auditors requested for it. However, the documents have been located and are available for auditing. The documents can be audited is room 445 and 435 AVN.

Name: M Dondashe

Position: Acting RM

Date: 13 July 2016

**Auditor’s conclusion**

Management comments are noted, the finding will be resolved after the documents have been audited.

1. **Accrual Maintenance: Overstatement of accruals**

**Audit finding**

Chapter *5* of the Public Finance Management Act (PFMA) Section 40 stipulates that the accounting officer for a department, trading entity or constitutional institution –

(a)       must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;

(b)     must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

The following transactions were included as part of accruals however the services were only confirmed to be in order after year end therefore it should have not been included on the accrual listing:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Number** | **Supplier name** | **Description** | **Advice number** | **Payment date** | **Date of invoice/ statement** | **Date/period of receipt of goods** | **Amount included in accruals listing [R]** |
| 1 | Daddy's Show House | Garden Maintenance | AH-267524 | 2016/04/26 | 2016/04/12 | 2016/04/01 | R 77 000.00 |

This will result in an overstatement of accruals by R77 000.00

**Internal control deficiency**

## Financial and performance management

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

Management did not review the supporting documentation on the payment batch prior to populating the accrual listing

**Recommendation**

Management should ensure that all information is captured correctly in the schedules supporting the financial and all schedules are reviewed by a second person to ensure that it has been recorded correctly.

The supporting documentation for the items on the accrual listing should be reviewed prior to populating the accrual listing

**Management response**

Management is in agreement with the finding and will make the necessary adjustments in the financial statements.

Journal Entry:

DT – Accounts Payables – R 77 000.00

CT - Gardening Services – R 77 000.00

The transactions for which goods and services are confirmed to have been received after the end of the reporting period will be revisited to ensure that such transactions should not be reported as accruals.

The AFS will be adjusted with this transaction that was erroneously reported as an accrual as at 31 March 2016

Name: M Dondashe

Position: Acting RM

Date: 13 July 2016

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 19 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

1. **Expense paid but included in accruals listing.**

**Audit finding**

Chapter *5* of the Public Finance Management Act (PFMA) Section 40 stipulates that the accounting officer for a department, trading entity or constitutional institution –

(a)       must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards;

(b)     must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

The expense below was paid before year end but still included in the accrual listing for the year under review.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Number** | **Supplier Name** | **Accrual Description** | **Invoice no** | **Invoice date** | **Invoice amount [R]** | **Payment date** |
| 1 | Lefatshe La Rona | Maintenance | LKJ60017 | 20-Jan-16 | 495 186.20 | 18-Feb-16 |
|

This will result in an overstatement of accruals by R495 186.20

**Internal control deficiency**

## Financial and performance management

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

Management did not review the supporting documentation on the payment batch prior to populating the accrual listing

**Recommendation**

Management should ensure that all information is captured correctly in the schedules supporting the financial and all schedules are reviewed by a second person to ensure that it has been recorded correctly.

The supporting documentation for the items on the accrual listing should be reviewed prior to populating the accrual listing

**Management response**

Management is in agreement with the finding and will make the necessary adjustments in the financial statements.

Journal Entry:

DT: Accounts Payables - R495 186.20

CT: Day to day Maintenance - R495 186.20

The AFS will be adjusted with this transaction that was erroneously reported as an accrual as at 31 March 2016

The payments that are paid before the end of the reporting period and those processed just after the reporting period will be revisited to ascertain whether such payment should or should be reported as accruals.

Management will consider all payments before and after year-end to ensure they are accounted for in the correct period.

Name: M Dondashe

Position: Acting RM

Date: 13 July 2016

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 19 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

1. **Accruals - Current year: Expenditure understated**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

|  |  |  |
| --- | --- | --- |
| The following expenditure transactions that were incurred in the current year under review were not recorded in the accrual expenditure listing and the general ledger resulting in the understatement of expenditure disclosed in the Annual Financial Statements. |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Supplier name** | **Date of invoice** | **Invoice Number** | **Date of receipt of invoice by registry** | **Invoice Stamped date by highest ranking official serving as proof of delivery of service or Goods** | **Amount per Invoice(s)** |
| 1 | Coega Development Corporation | 2016/03/11 | INV25079 | 2016/03/15 | 2016/03/24 | R 858 215.00 |

This resulted in understatement of expenditure.

**Internal control deficiency**

Financial and performance management

The department has not implemented proper controls over daily and monthly processing and reconciling of transactions.

**Recommendation**

Management must ensure that expenditure and accruals that relate to the year under review are recorded.

**Management response**

Management is in agreement with the finding and will make the necessary adjustments in the financial statements.

Name: M Dondashe

Position: Acting RM

Date: 12 July 2016

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 19 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

1. **Accruals- Current year: Expenditure understated**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

The following expenditure transactions that were incurred in the current year under review were not recorded in the accrual expenditure listing and the general ledger resulting in the understatement of expenditure disclosed in the Annual Financial Statements.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Supplier name** | **Payment date** | **Invoice Stamped date** | **Completion date per the Job card** | **Amount per Invoice(s)** |
| Rakgajana Trading Enrterprises | 2016/04/12 | 2016/03/15 | 2016/03/11 | R 14 193.00 |
| Sibanyoni air conditioning & electronics | 2016/04/29 | 2016/02/17 | 2015/08/05 | R32 866.20 |
| Dinaledi Garden Services | 2016/04/18 | 2016/03/15 |  | R 155 500.00 |
| Giftron Distribution | 2016/04/15 | 2016/04/07 | 2016/01/08 | R 12 505.06 |
| Basic Blue Aircondition & Refrigeration | 2016/04/21 | 2016/02/23 | 2016/02/22 | R 42 125.70 |
| Mhlaba Nhluvuko | 2016/04/28 | 2016/04/08 | 2016/03/06 | R 732 674.80 |
| Bapedi and Associates | 2016/04/25 | 2016/04/01 | 2016/03/16 | R452 752.27 |
| Siyakhula Engineering | 2016/04/26 | 2016/04/20 | 2015/12/08 | R 66 033.43 |
| Coega Development Corporation | 2016/04/01 | 2016/03/24 |  | R 858 215.00 |
| Rudev management consultants | 2016/04/01 | 2016/03/18 |  | R 151 979.82 |
| Malitaba Construction & Projects | 2016/04/19 | 2016/03/08 |  | R 40 000.00 |
| City Of Tshwane | 2016/04/12 | 2016/03/18 |  | 60501.66 |
| Coega Development Corporation | 2016/04/01 | 2016/03/23 |  | R1 100 000.00 |
| Coega Development Corporation | 2016/04/01 | 2016/03/23 |  | R6 400 000.00 |

This resulted in understatement of expenditure.

**Internal control deficiency**

Financial and performance management

The department has not implemented proper controls over daily and monthly processing and reconciling of transactions.

**Recommendation**

Management must ensure that expenditure and accruals that relate to the year under review are recorded.

**Management response**

Management is partly in agreement with the finding as indicated in the table below and will make the necessary adjustments in the financial statements. Please also refer to the attachment.

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Payment date** | **Amount per Invoice(s)** | **Management comment** |
| Rakgajana Trading Enrterprises | 2016/04/12 | R 14 193.00 | Has been reported – day to day |
| Sibanyoni air conditioning & electronics | 2016/04/29 | R 32 866.20 | Omitted |
| Dinaledi Garden Services | 2016/04/18 | R 155 500.00 | Has been reported - Gardening |
| Giftron Distribution | 2016/04/15 | R 12 505.06 | Omitted |
| Basic Blue Aircondition & Refrigeration | 2016/04/21 | R 42 125.70 | Omitted |
| Mhlaba Nhluvuko | 2016/04/28 | R 732 674.80 | Omitted |
| Bapedi and Associates | 2016/04/25 | R 452 752.27 | Omitted |
| Siyakhula Engineering | 2016/04/26 | R 66 033.43 | Omitted |
| Coega Development Corporation | 2016/04/01 | R 858 215.00 | Omitted |
| Rudev management consultants | 2016/04/01 | R 151 979.82 | Omitted |
| Malitaba Construction & Projects | 2016/04/19 | R 40 000.00 | Has been reported – Gardening |
| City Of Tshwane | 2016/04/12 | 60501.66 | Omitted |
| Coega Development Corporation | 2016/04/01 | R 1 100 000.00 | Omitted |
| Coega Development Corporation | 2016/04/01 | R 6 400 000.00 | Omitted |

Name: M Dondashe

Position: Acting RM

Date: 2016 July 12

**Auditor’s conclusion**

Management comment noted and cognizance is taken of the fact that management agrees with the finding. Management’s response indicated that population will be revised; however the complete revised population was not submitted with the response.

Management is required to provide the auditors with the complete revised population before close of business on Monday 19 July 2016 to enable the auditors to adequately audit the revised population to determine if the matter has been resolved.

Provisions

1. **Provision: misstatement**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

During the audit of provisions the following issues were noted:

*Part A*

It was noted that the schedule supporting the financial statements does not agree with the confirmation letters signed by the municipality

Verified debt

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per confirmation Letter** | **Differences** |
| **Underpayments** | | | | |
| City of Tshwane | Department of Justice | R 113 855 072 | R 1027.99 | (R113854044.01) |
| Mafube-Bloem | Department of Correctional Services | R 37 011 | R 47 561.56 | (R 10 550.56) |
| **Total** | | **R 113 892 083** | **R 48 589.55** | **(R113 864 594.57)** |

Overpayments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per confirmation Letter** | **Differences** |
| **Overpayments** | | | | |
| Mafube-Bloem | National Department of Public Works | (R390 831) | (R 388 723.42) | (R 2 107.58) |
| City of Tshwane | DIRCO | (R 106 304 768) | R 7 549 275.81 | (R113854043.8) |
| City of Tshwane | National Department of Public Works | (R96 624 231) | ( R18264910.07) | (R 78359320.93) |
| Ingwe | Department of Correctional Services | (R 8 409) | (R 22 313.55) | (R 13 904.55) |
| **Total** | | **(203 328 239.00)** | **(11 126 671.23)** | **(192 229 376.86)** |

*Part B*

It was noted that workings do not agree with the schedule supporting the financial statements.

Verified debt

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per workings** | **Differences** |
| **Underpayments** | | | | |
| City of Tshwane | Department of Justice | R 113 855 072 | R 1027.99 | (R113854044.01) |
| Mafube-Bloem | Department of Correctional Services | R 37 011 | R 47 561.56 | (R 10 550.56) |
| **Total** | | **R 113 892 083** | **R 48 589.55** | **(R113 864 594.57)** |

Overpayments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per workings** | **Differences** |
| **Overpayments** | | | | |
| Mafube-Bloem | National Department of Public Works | (R390 831) | (R 388 723.42) | (R 2 107.58) |
| City of Tshwane | DIRCO | (R 106 304 768) | R7 549 275.81 | (R113854043.8) |
| City of Tshwane | National Department of Public Works | (R96 624 231) | ( R39 382 453.64) | (R 57 241 777.36) |
| **Total** | | **(R 203 319 830)** | **(R 39 771 177.06)** | **(R 171 097 928.75)** |

The impact of this finding is that Advance payments and provisions may be misstated

**Internal control deficiency**

## Financial and performance management

The entity did not implemented proper controls over daily and monthly processing and reconciling of transactions.

**Recommendation**

Management must ensure that the listing supporting the Annual Financial Statement agrees to the supporting documents.

**Management response**

Management agrees with the finding. The following are reasons for the causes of differences:

Part A – verified debt (Schedules supporting AFS vs Confirmation Letters)

Verified debt

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per workings** | **Differences** |
| Underpayments | | | | |
| City of Tshwane | Department of Justice | R 113 855 071.65 | R 1027.99 | R113 854 043.66 |
| Mafube-Bloem | Department of Correctional Services | R 37 011.00 | R 47 561.56 | (R 10 550.56) |
| Total | | **R 113 892 082.65** | **R 48 589.55** | **R113 843 493.10** |

|  |  |  |
| --- | --- | --- |
| **Regional Municipality** | **Department** | **Reasons** |
| Alleged Underpayments | | |
| City of Tshwane | Department of Justice | The municipal service figures for the Department of Justice and DIRCO were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. Resulting in an overstatement of R113 854 043.66 in the Department of Justice. This overstatement in the Department of Justice nets off with the understatement in DIRCO. |
| Mafube-Bloem | Department of Correctional Services | The schedule was understated by (R10 550.56). This was an oversight. |

Overpayments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per confirmation Letter** | **Differences** |
| **Overpayments** | | | | |
| Mafube-Bloem | National Department of Public Works | (R390 831.00) | (R 388 723.42) | (R 2 107.58) |
| City of Tshwane | DIRCO | (R 106 304 767.85) | R 7 549 275.81 | (R113 854 043.66) |
| City of Tshwane | National Department of Public Works | (R96 624 231.00) | (R39 373 935.90) | (R57 250 295.10) |
| Ingwe | Department of Correctional Services | (R 8 409) | (R 22 313.55) | R 13 904.55 |
| Total | | (203 328 238.85) | (32 235 697.06) | (171 092 541.79) |

|  |  |  |
| --- | --- | --- |
| **Regional Municipality** | **Department** | **Reasons** |
| Alleged Overpayments | | |
| Mafube-Bloem | National Department of Public Works | The schedule was overstated by (R2 107.58) . This was an oversight. |
| City of Tshwane | DIRCO | The municipal service figures for the Department of Justice and DIRCO were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. This resulted in an understatement of (R113 854 043.66) in DIRCO. This understatement in DIRCO nets off with the overstatement in the Department of Justice |
| City of Tshwane | National Department of Public Works | The municipal service figures for the National Department of Public Works and NIA were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. This resulted in an overstatement of (R57 250 295.10) in the National Department of Public Works and an understatement in the NIA of the same amount, however the NIA was not included on the AFS. The AGSA has incorrectly captured an incorrect amount of R18 264 910.07 instead of R39 373 935.90. |
| Ingwe | Department of Correctional Services | The confirmation letter was incorrect as the amount in the Department of Correctional Services was overstated by R13 904.55. This was an oversight. |

Part B – Verified debt (Workings vs schedules supporting AFS)

Verified debt

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per workings** | **Differences** |
| **Underpayments** | | | | |
| City of Tshwane | Department of Justice | R 113 855 071.65 | R 1027.99 | R113 854 043.66 |
| Mafube-Bloem | Department of Correctional Services | R 37 011.00 | R 47 561.56 | (R 10 550.56) |
| **Total** | | **R 113 892 082.65** | **R 48 589.55** | **R113 843 493.10** |

|  |  |  |
| --- | --- | --- |
| **Regional Municipality** | **Department** | **Reasons** |
| **Alleged Underpayments** | | |
| City of Tshwane | Department of Justice | The municipal service figures for the Department of Justice and DIRCO were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. Resulting in an overstatement of R113 854 043.66. This overstatement in the Department of Justice nets off with the understatement in DIRCO. |
| Mafube-Bloem | Department of Correctional Services | The schedule was understated by (R10 550.56). This was an oversight. |

Overpayments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Regional Municipality** | **Department** | **Amount Per Schedule** | **Amount as per workings** | **Differences** |
| **Overpayments** | | | | |
| Mafube-Bloem | National Department of Public Works | (R390 831.00) | (R 388 723.42) | (R 2 107.58) |
| City of Tshwane | DIRCO | (R 106 304 767.85) | R 7 549 275.81 | (R113 854 043.66) |
| City of Tshwane | National Department of Public Works | (R96 624 231.00) | (R39 373 935.90) | (R57 250 295.10) |
| **Total** | | (R 203 319 829.85 | (R 32 213 383.51) | (R 171 106 446.34) |

|  |  |  |
| --- | --- | --- |
| **Regional Municipality** | **Department** | **Reasons** |
| Alleged Overpayments | | |
| Mafube-Bloem | National Department of Public Works | The schedule was overstated by (R2 107.58). This was an oversight. |
| City of Tshwane | DIRCO | The municipal service figures for the Department of Justice and DIRCO were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. This resulted in an understatement of (R113 854 043.66). This understatement in DIRCO nets off with the overstatement in the Department of Justice |
| City of Tshwane | National Department of Public Works | The municipal service figures for the National Department of Public Works and NIA were mistakenly transposed in the report so the total charges figure for the department was incorrectly captured on the dashboard. This resulted in an overstatement of (R57 250 295.11) in the National Department of Public Works and an understatement in the NIA of the same amount, however the NIA was not included on the AFS. |

**Auditor’s conclusion**

The testing of the revised population has not been completed. The initial error still remain until we can confirm that the new population does not have errors.

Capital commitments

1. **Capital commitments: Misstatements identified**

**Audit finding**

Public Finance Management Act section 40(1)(a), and 40(1)(b) of the PFMA states that the accounting officer for a department, trading entity or constitutional institution  must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”

Generally Recognised Accounting Policy 1, paragraph 19(b) states the following:

*“fair presentation requires an entity to present information including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information.”*

Generally Recognised Accounting Policy 17, paragraph 81(c) states the following

*The financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements, the amount of contractual commitments for the acquisition of property, plant and equipment*

GRAP Guideline 19, paragraph 11 states:

*The following, as a minimum, should be disclosed in the notes to the financial statements for commitments:*

* *The aggregate amount of operational and capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements*;

During the audit of capital commitments we noted the following:

As per inspection of the letter of acceptance for the approval of the tender, the tender was accepted on signed on 20 March 2016. This confirms that the tender was already approved before year-end, therefore a contractor commitment existed and should have been disclosed in the AFS for the year ended 31 March 2016. The commitment is however not disclosed on the commitments schedule supporting AFS.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **WCS no** | **Tender no** | **Consultant/contractor** | **Contractor authorisation per Schedule**  **R** | **Contractor authorisation per supporting documents**  **R** | **Difference**  **R** |
| 1 | 052982 | H15/032 | Caledon River Properties CC T/A Magwa Construction | 0 | R 19 638 243.06 | **(R19 638 243.06)** |

This will result in understatement of Capital Commitments

**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 schedules supporting capital commitments the financial statements should be reviewed for accuracy and completeness by senior management prior to submission for audit.

**Management response**

Management agrees with the finding. The bid was awarded on 30 March 2016 (not 20 March 2016) and WCS updated on 4 April 2016 with site handover on 5 April 2016. The system was closed for year-end processing from 30 March 2016 and re-opened on 4 April 2016. WCS was subsequently not updated on 31 March 2016 before the end of the 2015/16 financial period.

Management has reviewed all tenders awarded during the 2015/16 financial period across all regions to ensure all contractual obligations are accounted for in the capital commitments schedule. Management has made the required adjustments for the entire population and our response to this COFF is accompanied by the updated schedule (refer to file ZK1A). The AFS disclosure will also be updated accordingly.

Management has identified additional contractor authorisations to the value of R158 678 015.79 across all regions for the entire capital projects population. Please refer to *Annexure A* for the listing of additional capital commitments which have been included in the revised capital commitments schedule supporting the updated AFS disclosure.

Name: Herman Pienaar

Position: Director: Financial Planning (PMTE)

Date: 9 June 2016

**Auditor’s conclusion**

Management comment received and cognisance is taken of the fact that management agrees with the finding.

Additional procedures were performed on the revised population and the following matters were identified:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **WCS no** | **Tender no** | **Consultant/contractor** | **Date of appointment letter** | **Contractor authorisation per Schedule**  **R** | **Contractor authorisation per supporting documents**  **R** | **Difference**  **R** |
| 044016 | D15/02/03 | JFE Industries | 22/02/2016 | - | 104 320 811 | **104 320 811** |
| 048437 | D15/02/01 | JFE Industries | 22/02/2016 | - | 117 704 272 | **117 704 272** |
| **TOTAL** | | | | | | **222 025 083** |

Commitments were not raised for contracts that were awarded prior to year end. The projects above were included on the WCS schedule, but have not been updated to reflect the contractor authorisation approved prior to year end.

It is thus evident that the matter identified in the initial finding has not been adequately resolved. The initial finding will therefore remain, and be reported in the management report and audit report.

1. **Capital commitments: Incorrect CPAP amounts disclosed.**

**Audit finding**

Public Finance Management Act section 40(1)(a), and 40(1)(b) of the PFMA states that the accounting officer for a department, trading entity or constitutional institution  must prepare financial statements for each financial year in accordance with generally recognized accounting practice;”

Generally Recognised Accounting Policy 1, paragraph 19(b) states the following:

*“fair presentation requires an entity to present information including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information.”*

Generally Recognised Accounting Policy 17, paragraph 81(c) states the following

*The financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements, the amount of contractual commitments for the acquisition of property, plant and equipment*

GRAP Guideline 19, paragraph 11 states:

*The following, as a minimum, should be disclosed in the notes to the financial statements for commitments:*

* *The aggregate amount of operational and capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements*;

During the audit of capital commitments we noted the following:

As per inspection of the Capital commitment disclosure note (note 29) in the financial statements, the additional notes referred to an incorrect amount of the CPAP commitment of R 6 173 million for the 2016 financial year. The amount of the CPAP commitment per the updated schedule is however R 623 million (R623 871 688.90).

This will result in incorrect amounts disclosed in the Annual Financial Statements.

**Internal control deficiency**

Financial and performance management

The entity did not prepare regular, accurate and complete financial reports.

**Recommendation**

The additional information included in the notes to the financial statements should be reviewed for reasonableness by senior management prior to submission for audit.

**Management response**

Management agrees with the finding. The amount for CPAP disclosed in the AFS is incorrect. The correct amount should be R624 million. The disclosure in the AFS will be updated accordingly.

Herman Pienaar

D: Financial Planning

28 June 2016

**Auditor’s conclusion**

Management comment noted and cognisance is taken of the fact that management agrees with the finding. The finding will remain until the final AFS is received, and the amended disclosure is confirmed.

Contingent assets and liabilities

1. **Contingent liabilities: municipal services and property rates**

**Audit finding**

Public Finance Management Act section 38 (1)(a)(i) and (1)(c)(ii) states that the accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The following discrepancy was identified:

The amounts in the financial statements disclosure note is swopped around for the current year and comparative figure.

Amounts incorrectly disclosed in the financial statements:

|  |  |  |
| --- | --- | --- |
|  | **2015/16** | **2014/15** |
| Contingent liabilities: municipal services and property rates | 9 680 000 | 114 198 000 |

Correct disclosure in the financial statements:

|  |  |  |
| --- | --- | --- |
|  | **2015/16** | **2014/15** |
| Contingent liabilities: municipal services and property rates | 114 198 000 | 9 680 000 |

This will result in misstatement of contingent liabilities in the financial statements

**Internal control deficiency**

## Financial and performance management

The entity did not implemented proper controls over daily and monthly processing and reconciling of transactions.

**Recommendation**

Management must ensure that the amounts are disclosed correctly in the financial statements

**Management response**

Management is in agreement with the finding. The contingent liability disclosure note, note number 28, in the annual financial statements will be corrected to agree to the working papers.

Name: Sandra Stipec

Position: Director: Financial Reporting

Date: 8 July 2016

**Auditor’s conclusion**

Management comment noted. The finding will remain until sthe financial statements are restated and submitted to us

1. **Contingent liabilities and assets: municipal services and property rates**

**Audit finding**

Public Finance Management Act section 38 (1)(a)(i) and (1)(c)(ii) states that the accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards,

Section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

Paragraph 15 of the Public Auditing Act states that the Auditor-General has at all reasonable times full unrestricted access to any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee.

The following discrepancies were identified relating to the following amounts disclosed in the financial statements:

* Contingent liabilities – municipal services and property rates: R114 198 000
* Contingent assets – municipal services and property rates: R9 273 000

The schedules submitted on municipal level (see tables below) agree to the amounts disclosed in the financial statements. However the detail schedules / workings that support amounts on municipal level do not agree to the schedules submitted on municipal level. Consequently, we are unable to select a sample to perform those procedures necessary for our audit.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Description** | **Amount** | **Table** |
| Contingent Liabilities (Municipal services and property rates ) | Awaiting Sign off | 108 796 082.70 | A |
| Contingent Liabilities (Municipal services and property rates ) | In progress | 5 401 629.29 | B |
| Contingent Assets (Municipal services and property rates ) | Awaiting sign off | 2 223 709.99 | C |
| Contingent Assets (Municipal services and property rates ) | In progress | 7 049 749.59 | D |

Table A Contingent liabilities (Municipal services and property rates)

| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **Amount** |
| --- | --- | --- | --- | --- | --- |
| Awaiting | Port Elizabeth | Amathole | National | National Department of Public Works | R2 035 855.00 |
| Awaiting | Port Elizabeth | Amathole | National | Department of Social Development | R162 858.00 |
| Awaiting | Port Elizabeth | Gariep | National | Department of Correctional Services | R9 562.00 |
| Awaiting | Port Elizabeth | Gariep | National | National Department of Public Works | R273 489.00 |
| Awaiting | Port Elizabeth | Gariep | National | South African Police Services | R192 546.00 |
| Awaiting | Mthatha | Intsika Yethu | National | National Department of Public Works | R793 415.75 |
| Awaiting | Mthatha | Joe Gqabi | National | National Department of Public Works | R332 545.06 |
| Awaiting | Mthatha | O .R. Tambo | National | National Department of Public Works | R2 035 155.47 |
| Awaiting | Mthatha | O .R. Tambo | National | Department of Transport | R3 190.34 |
| Awaiting | Mthatha | Port St Johns | National | National Department of Public Works | R3 397 123.57 |
| Awaiting | Bloemfontein | Kopanong | National | Department of Correctional Services | R175 719.29 |
| Awaiting | Bloemfontein | Kopanong | National | Department of Justice | R110 751.68 |
| Awaiting | Bloemfontein | Kopanong | National | National Department of Public Works | R310 991.71 |
| Awaiting | Bloemfontein | Kopanong | National | South African Police Services | R94 779.04 |
| Awaiting | Bloemfontein | Letsemeng | National | National Department of Public Works | R121 607.00 |
| Awaiting | Bloemfontein | Letsemeng | National | South African Police Services | R67 737.00 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | Department of Correctional Services | R124 177.39 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | Department of Justice | R1 259 730.00 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | South African Police Services | R2 739 325.15 |
| Awaiting | Bloemfontein | Matjhabeng | National | National Department of Public Works | R22 836 921.63 |
| Awaiting | Bloemfontein | Metsimaholo | National | Department of Correctional Services | R200 812.00 |
| Awaiting | Bloemfontein | Metsimaholo | National | Department of Justice | R16 255.00 |
| Awaiting | Bloemfontein | Metsimaholo | National | National Department of Public Works | R23 616.00 |
| Awaiting | Bloemfontein | Metsimaholo | National | South African Police Services | R127 607.00 |
| Awaiting | Bloemfontein | Mohokare | National | National Department of Public Works | R83 773.58 |
| Awaiting | Bloemfontein | Moqhaka | National | National Department of Public Works | R58 448.00 |
| Awaiting | Bloemfontein | Moqhaka | National | South African Police Services | R271.91 |
| Awaiting | Bloemfontein | Tswelopele | National | National Department of Public Works | R2 111 397.82 |
| Awaiting | Durban | Abaqulusi | National | South African Police Services | R11 486.00 |
| Awaiting | Durban | Greater Kokstad | National | Department of Correctional Services | R30.00 |
| Awaiting | Durban | Greater Kokstad | National | National Department of Public Works | R713 488.00 |
| Awaiting | Durban | Greater Kokstad | National | South African Police Services | R4 904.00 |
| Awaiting | Durban | Hibiscus Coast | National | Department of Home Affairs | R10 914.00 |
| Awaiting | Durban | Hibiscus Coast | National | Department of Justice | R45 857.00 |
| Awaiting | Durban | Hibiscus Coast | National | Unallocated (National) | R10 883.00 |
| Awaiting | Durban | Hibiscus Coast | National | National Department of Public Works | R692 162.98 |
| Awaiting | Durban | Hibiscus Coast | National | South African Police Services | R32 364.00 |
| Awaiting | Durban | Impendle | National | National Department of Public Works | R1 936 275.00 |
| Awaiting | Durban | Impendle | National | South African Police Services | R176 882.70 |
| Awaiting | Durban | Impendle | National | Department of Transport | R3 499.82 |
| Awaiting | Durban | KwaDukuza | National | Department of Correctional Services | R30 164.00 |
| Awaiting | Durban | KwaDukuza | National | Department of Justice | R37 116.00 |
| Awaiting | Durban | KwaDukuza | National | National Department of Public Works | R21 908.00 |
| Awaiting | Durban | KwaDukuza | National | South African Police Services | R57 475.00 |
| Awaiting | Durban | Mandeni | National | Department of Home Affairs | R186 138.00 |
| Awaiting | Durban | Mandeni | National | Department of Justice | R27 699.00 |
| Awaiting | Durban | Mandeni | National | National Department of Public Works | R144 672.00 |
| Awaiting | Durban | Mandeni | National | South African Police Services | R118 449.00 |
| Awaiting | Durban | Msinga | National | Department of Correctional Services | R1 341.31 |
| Awaiting | Durban | Msinga | National | National Department of Public Works | R637 170.00 |
| Awaiting | Durban | Msunduzi | National | Department of Justice | R126 670.46 |
| Awaiting | Durban | Msunduzi | National | National Department of Public Works | R27 522 861.58 |
| Awaiting | Durban | Msunduzi | National | South African Police Services | R129 137.42 |
| Awaiting | Durban | Ndwedwe | National | National Department of Public Works | R4 072.00 |
| Awaiting | Durban | Ndwedwe | National | Department of Transport | R2 625.00 |
| Awaiting | Durban | Newcastle | National | South African Police Services | R841 071.00 |
| Awaiting | Durban | Ntambanana | National | National Department of Public Works | R203 068.00 |
| Awaiting | Durban | Ntambanana | National | South African Police Services | R22 292.59 |
| Awaiting | Durban | The Big 5 False Bay | National | Department of Home Affairs | R10 215.00 |
| Awaiting | Durban | The Big 5 False Bay | National | National Department of Public Works | R2 917.13 |
| Awaiting | Durban | The Big 5 False Bay | National | Department of Transport | R68 514.00 |
| Awaiting | Durban | Ubuhlebezwe | National | Department of Justice | R15 336.00 |
| Awaiting | Durban | Ubuhlebezwe | National | National Department of Public Works | R327 475.22 |
| Awaiting | Durban | Ugu | National | National Department of Public Works | R144 967.00 |
| Awaiting | Durban | uMshwathi | National | National Department of Public Works | R730 071.62 |
| Awaiting | Durban | uMshwathi | National | South African Police Services | R1 760.12 |
| Awaiting | Durban | Umzumbe | National | National Department of Public Works | R274 713.00 |
| Awaiting | Durban | Uthukela | National | Department of Home Affairs | R3 595.42 |
| Awaiting | Durban | Uthukela | National | Department of Justice | R1 031.00 |
| Awaiting | Polokwane | Maruleng | National | National Department of Public Works | R648 020.16 |
| Awaiting | Polokwane | Thabazimbi | National | National Department of Public Works | R425 337.00 |
| Awaiting | Polokwane | Thabazimbi | National | Department of Social Development | R203 650.66 |
| Awaiting | Nelspruit | Lekwa | National | Department of Home Affairs | R1 277.69 |
| Awaiting | Nelspruit | Steve Tshwete | National | National Department of Public Works | R1 310 195.50 |
| Awaiting | Kimberley | //Khara Hais | National | Department of Education | R10 966.15 |
| Awaiting | Kimberley | //Khara Hais | National | Department of Justice | R169.90 |
| Awaiting | Kimberley | //Khara Hais | National | National Department of Public Works | R16 135 954.20 |
| Awaiting | Kimberley | //Khara Hais | National | Safety and Security | R448.05 |
| Awaiting | Kimberley | Gamagara | National | National Department of Public Works | R1 993 935.56 |
| Awaiting | Kimberley | Gamagara | National | Department of Social Development | R14 941.51 |
| Awaiting | Kimberley | Joe Morolong | National | South African Police Services | R6 660.04 |
| Awaiting | Kimberley | Kai !Garib | National | Economic Development | R10 564.23 |
| Awaiting | Kimberley | Kai !Garib | National | Department of Justice | R320 968.00 |
| Awaiting | Kimberley | Kai !Garib | National | National Department of Public Works | R5 452 047.84 |
| Awaiting | Kimberley | Kai !Garib | National | Department of Social Development | R508 836.28 |
| Awaiting | Kimberley | Kai !Garib | National | Department of Tourism | R73 402.00 |
| Awaiting | Kimberley | Kgatelopele | National | South African Police Services | R48 382.76 |
| Awaiting | Kimberley | Siyathemba | National | National Department of Public Works | R105 103.44 |
| Awaiting | Kimberley | Siyathemba | National | South African Police Services | R22 249.07 |
| Awaiting | Kimberley | Thembelihle | National | National Department of Public Works | R685 316.00 |
| Awaiting | Kimberley | Tsantsabane | National | Department of Home Affairs | R109.25 |
| Awaiting | Kimberley | Tsantsabane | National | National Department of Public Works | R222 791.40 |
| Awaiting | Kimberley | Tsantsabane | National | South African Police Services | R7 435.50 |
| Awaiting | Mmabatho | Mamusa | National | National Department of Public Works | R2 090 342.87 |
| Awaiting | Mmabatho | Mamusa | National | Department of Social Development | R2 996.48 |
| Awaiting | Mmabatho | Molopo-Kagisano | National | National Department of Public Works | R254 107.00 |
| Awaiting | Mmabatho | Ratlou | National | National Department of Public Works | R3 136 238.00 |
| Awaiting | Cape Town | Theewaterskloof | National | National Department of Public Works | R70 702.40 |
| **Total** | | | | | **R108 796 082.70** |

Table B Contingent Liabilities (Municipal services and property rates )

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **Amount** |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Economic Development | R1 483.99 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Home Affairs | R20 515.88 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Labour | 17861.57 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | National Department of Public Works | R672 877.75 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | South African Police Services | R3 646 500.00 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Social Development | 11734.85 |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Transport | R43 076.24 |
| In Progress | Mthatha | Mnquma | National | National Department of Public Works | R812 585.01 |
| In Progress | Durban | eDumbe | National | National Department of Public Works | 174994 |
| **Total** | | | | | **R5 401 629.29** |

Table C Contingent Assets (Municipal services and property rates )

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **Amount** |
| Awaiting | Mthatha | Port St Johns | National | Department of Justice | -179 811.00 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | National Department of Public Works | -293 740.00 |
| Awaiting | Durban | Abaqulusi | National | National Department of Public Works | -147 138.00 |
| Awaiting | Durban | KwaDukuza | National | Department of Labour | -242.00 |
| Awaiting | Durban | Msunduzi | National | Department of Correctional Services | -57 044.51 |
| Awaiting | Durban | The Big 5 False Bay | National | South African Police Services | -223 730.00 |
| Awaiting | Durban | Uthukela | National | Department of Correctional Services | -107 378.43 |
| Awaiting | Durban | Uthukela | National | National Department of Public Works | -56 785.97 |
| Awaiting | Durban | Uthukela | National | South African Police Services | -164 772.50 |
| Awaiting | Polokwane | Thabazimbi | National | Department of Correctional Services | -518.17 |
| Awaiting | Polokwane | Thabazimbi | National | Department of Transport | -61 867.56 |
| Awaiting | Nelspruit | Lekwa | National | Department of Correctional Services | -220 337.00 |
| Awaiting | Nelspruit | Lekwa | National | Department of Labour | -11 894.00 |
| Awaiting | Nelspruit | Lekwa | National | National Department of Public Works | -115 964.00 |
| Awaiting | Nelspruit | Lekwa | National | South African Police Services | -276 130.00 |
| Awaiting | Nelspruit | Steve Tshwete | National | Department of Correctional Services | -13 079.33 |
| Awaiting | Nelspruit | Steve Tshwete | National | Department of Justice | -16 796.83 |
| Awaiting | Nelspruit | Steve Tshwete | National | Safety and Security | -167 421.00 |
| Awaiting | Nelspruit | Steve Tshwete | National | South African Police Services | -45 242.42 |
| Awaiting | Kimberley | Kai !Garib | National | South African Police Services | -18 616.20 |
| Awaiting | Mmabatho | Mamusa | National | South African Police Services | -45 201.07 |
| Total |  |  |  |  | **-2 223 709.99** |

Table D Contingent Assets (Municipal services and property rates)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **Amount** |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Justice | -R146 347.95 |
| In Progress | Polokwane | Modimolle | National | Department of Arts and Culture | -102 570.12 |
| In Progress | Polokwane | Modimolle | National | National Department of Public Works | -R6 800 561.52 |
| Total |  |  |  |  | **-7 049 479.59** |

As stated above, we are not able to select samples that we require to perform our audit procedures from the schedules provided. This results in a material limitation of scope.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

Management must ensure that the amounts in the financial statements are supported by listing that agrees to the financial statements and submit the information as a matter of urgency

**Management response**

**Management Response**

Management does not entirely agree with AGSA findings as per the comments below:

Table A1 – The debt in the table is no longer part of the verified debt pertaining to National Public works and should not be part of the audit, management will adjust the financial statements accordingly.

**Contingent Liabilities (Municipal services and property rates)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table A1** | | | | | | | |
| **Accounts no longer part of National these amounts need to be reversed from AFS** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Adjustment** |
| Awaiting | Mthatha | Joe Gqabi | National | National Department of Public Works | 332545.06 | 0 | 332545.06 |
| Awaiting | Port Elizabeth | Amathole | Provincial | Department of Social Development | 162858.00 | 0 | 162858.00 |
| Awaiting | Port Elizabeth | Gariep | Provincial | Department of Correctional Services | 9562.00 | 0 | 9562.00 |
| Awaiting | Mthatha | O .R. Tambo | Provincial | Department of Transport | 3190.34 | 0 | 3190.34 |
| Awaiting | Kimberley | //Khara Hais | Provincial | Safety and Security | 448.05 | 0 | 448.05 |
| Awaiting | Kimberley | Kai !Garib | Provincial | Economic Development | 10564.23 | 0 | 10564.23 |
| **Total** | | | | | | | **519167.68** |

Table A2 and A3 - Management does not agree with the AGSA finding that; “the amount on the schedule does not agree to working papers and the reports.” The departments listed in table A2 and A3 below either show a rounding difference or are in agreement to the working papers and reports.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table A2** | | | | | | | |
| **Accounts with rounding differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| Awaiting | Durban | KwaDukuza | National | South African Police Services | 57 475.00 | 57 474.47 | 0.53 |
| Awaiting | Durban | Hibiscus Coast | National | Department of Justice | 45 857.00 | 45 856.51 | 0.49 |
| Awaiting | Port Elizabeth | Gariep | National | South African Police Services | 192 546.00 | 192 545.75 | 0.25 |
| Awaiting | Durban | Hibiscus Coast | National | SARS | 10 883.00 | 10 882.77 | 0.23 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | Department of Justice | 1 259 730.00 | 1 259 729.87 | 0.13 |
| Awaiting | Durban | KwaDukuza | National | Department of Justice | 37 116.00 | 37 115.88 | 0.12 |
| Awaiting | Durban | Hibiscus Coast | National | South African Police Services | 32 364.00 | 32 363.92 | 0.08 |
| Awaiting | Durban | Greater Kokstad | National | South African Police Services | 4 904.00 | 4 903.93 | 0.07 |
| Awaiting | Durban | Ntambanana | National | National Department of Public Works | 203 068.00 | 203 068.15 | -0.15 |
| Awaiting | Durban | Hibiscus Coast | National | Department of Home Affairs | 10 914.00 | 10 914.15 | -0.15 |
| Awaiting | Durban | KwaDukuza | National | Department of Correctional Services | 30 164.00 | 30 164.23 | -0.23 |
| Awaiting | Durban | KwaDukuza | National | National Department of Public Works | 21 908.00 | 21 908.27 | -0.27 |
| Awaiting | Durban | Greater Kokstad | National | National Department of Public Works | 713 488.00 | 713 488.28 | -0.28 |
| Awaiting | Durban | Uthukela | National | Department of Justice | 1 031.00 | 1 031.29 | -0.29 |
| Awaiting | Durban | Ubuhlebezwe | National | Department of Justice | 15 336.00 | 15 336.72 | -0.72 |
| Awaiting | Mthatha | O .R. Tambo | National | National Department of Public Works | 2 035 155.47 | 2 035 157.14 | -1.67 |
| Total | | | | | | | -1.86 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table A3** | | | | | | | |
| **Accounts with no differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | CoFF Amount | Verified Debt | Difference |
| Awaiting | Durban | Msunduzi | National | South African Police Services | 129 137.42 | 129 137.42 | - |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | South African Police Services | 2 739 325.15 | 2 739 325.15 | - |
| Awaiting | Durban | Uthukela | National | Department of Home Affairs | 3 595.42 | 3 595.42 | - |
| Awaiting | Mthatha | Intsika Yethu | National | National Department of Public Works | 793 415.75 | 793 415.75 | - |
| Awaiting | Mthatha | Port St Johns | National | National Department of Public Works | 3 397 123.57 | 3 397 123.57 | - |
| Awaiting | Bloemfontein | Letsemeng | National | National Department of Public Works | 121 607.00 | 121 607.00 | - |
| Awaiting | Bloemfontein | Letsemeng | National | South African Police Services | 67 737.00 | 67 737.00 | - |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | Department of Correctional Services | 124 177.39 | 124 177.39 | - |
| Awaiting | Bloemfontein | Tswelopele | National | National Department of Public Works | 2 111 397.82 | 2 111 397.82 | - |
| Awaiting | Durban | Abaqulusi | National | South African Police Services | 11 486.00 | 11 486.00 | - |
| Awaiting | Durban | Greater Kokstad | National | Department of Correctional Services | 30.00 | 30.00 | - |
| Awaiting | Durban | Hibiscus Coast | National | National Department of Public Works | 692 162.98 | 692 162.98 | - |
| Awaiting | Durban | Impendle | National | National Department of Public Works | 1 936 275.00 | 1 936 275.00 | - |
| Awaiting | Durban | Impendle | National | South African Police Services | 176 882.70 | 176 882.70 | - |
| Awaiting | Durban | Impendle | National | Department of Transport | 3 499.82 | 3 499.82 | - |
| Awaiting | Durban | Msinga | National | Department of Correctional Services | 1 341.31 | 1 341.31 | - |
| Awaiting | Durban | Msinga | National | National Department of Public Works | 637 170.00 | 637 170.00 | - |
| Awaiting | Durban | Msunduzi | National | National Department of Public Works | 27 522 861.58 | 27 522 861.58 | - |
| Awaiting | Durban | Newcastle | National | South African Police Services | 841 071.00 | 841 071.00 | - |
| Awaiting | Durban | Ntambanana | National | South African Police Services | 22 292.59 | 22 292.59 | - |
| Awaiting | Durban | The Big 5 False Bay | National | Department of Home Affairs | 10 215.00 | 10 215.00 | - |
| Awaiting | Durban | The Big 5 False Bay | National | National Department of Public Works | 2 917.13 | 2 917.13 | - |
| Awaiting | Durban | The Big 5 False Bay | National | Department of Transport | 68 514.00 | 68 514.00 | - |
| Awaiting | Durban | Ugu | National | National Department of Public Works | 144 967.00 | 144 967.00 | - |
| Awaiting | Durban | uMshwathi | National | National Department of Public Works | 730 071.62 | 730 071.62 | - |
| Awaiting | Durban | uMshwathi | National | South African Police Services | 1 760.12 | 1 760.12 | - |
| Awaiting | Polokwane | Maruleng | National | National Department of Public Works | 648 020.16 | 648 020.16 | - |
| Awaiting | Polokwane | Thabazimbi | National | Department of Social Development | 203 650.66 | 203 650.66 | - |
| Awaiting | Nelspruit | Steve Tshwete | National | National Department of Public Works | 1 310 195.50 | 1 310 195.50 | - |
| Awaiting | Kimberley | //Khara Hais | National | Department of Education | 10 966.15 | 10 966.15 | - |
| Awaiting | Kimberley | //Khara Hais | National | Department of Justice | 169.90 | 169.90 | - |
| Awaiting | Kimberley | //Khara Hais | National | National Department of Public Works | 16 135 954.20 | 16 135 954.20 | - |
| Awaiting | Kimberley | Gamagara | National | National Department of Public Works | 1 993 935.56 | 1 993 935.56 | - |
| Awaiting | Kimberley | Gamagara | National | Department of Social Development | 14 941.51 | 14 941.51 | - |
| Awaiting | Kimberley | Joe Morolong | National | South African Police Services | 6 660.04 | 6 660.04 | - |
| Awaiting | Kimberley | Kai !Garib | National | Department of Justice | 320 968.00 | 320 968.00 | - |
| Awaiting | Kimberley | Kai !Garib | National | National Department of Public Works | 5 452 047.84 | 5 452 047.84 | - |
| Awaiting | Kimberley | Kai !Garib | National | Department of Social Development | 508 836.28 | 508 836.28 | - |
| Awaiting | Kimberley | Kai !Garib | National | Department of Tourism | 73 402.00 | 73 402.00 | - |
| Awaiting | Kimberley | Kgatelopele | National | South African Police Services | 48 382.76 | 48 382.76 | - |
| Awaiting | Kimberley | Siyathemba | National | South African Police Services | 22 249.07 | 22 249.07 | - |
| Awaiting | Kimberley | Tsantsabane | National | Department of Home Affairs | 109.25 | 109.25 | - |
| Awaiting | Kimberley | Tsantsabane | National | National Department of Public Works | 222 791.40 | 222 791.40 | - |
| Awaiting | Kimberley | Tsantsabane | National | South African Police Services | 7 435.50 | 7 435.50 | - |
| Awaiting | Mmabatho | Mamusa | National | Department of Social Development | 2 996.48 | 2 996.48 | - |
| Awaiting | Mmabatho | Ratlou | National | National Department of Public Works | 3 136 238.00 | 3 136 238.00 | - |
| Awaiting | Nelspruit | Lekwa | National | Department of Home Affairs | 1 277.69 | 1 277.69 | - |
| Awaiting | Durban | Msunduzi | National | Department of Justice | 126 670.46 | 126 670.46 | - |
|  |  |  |  |  | **72 538 932.78** | **72 538 932.78** | - |

Table A4- Management agrees with the findings of AGSA, however it should be taken into account that this project is a work in progress and that the figures had changed since the data was provided. The verified debt shown is now supported by working papers and reports and an adjustment needs to be made to the financial statements.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table A4** | | | | | | | |
| **Accounts with differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | CoFF Amount | Verified Debt | Difference |
| Awaiting | Port Elizabeth | Amathole | National | National Department of Public Works | 2 035 855.00 | 2 209 972.90 | -174 117.90 |
| Awaiting | Port Elizabeth | Gariep | National | South African Police Services | 273 489.00 | 192 545.75 | 80 943.25 |
| Awaiting | Bloemfontein | Kopanong | National | Department of Correctional Services | 175 719.29 | 156 971.55 | 18 747.74 |
| Awaiting | Bloemfontein | Kopanong | National | Department of Justice | 110 751.68 | 150 196.18 | -39 444.50 |
| Awaiting | Bloemfontein | Kopanong | National | National Department of Public Works | 310 991.71 | 1 132 796.22 | -821 804.51 |
| Awaiting | Bloemfontein | Kopanong | National | South African Police Services | 94 779.04 | 102 439.97 | -7 660.93 |
| Awaiting | Bloemfontein | Matjhabeng | National | National Department of Public Works | 22 836 921.63 | 7 564 436.24 | 15 272 485.39 |
| Awaiting | Bloemfontein | Metsimaholo | National | Department of Correctional Services | 200 812.00 | - | 200 812.00 |
| Awaiting | Bloemfontein | Metsimaholo | National | Department of Justice | 16 255.00 | - | 16 255.00 |
| Awaiting | Bloemfontein | Metsimaholo | National | National Department of Public Works | 23 616.00 | 1 946 444.20 | -1 922 828.20 |
| Awaiting | Bloemfontein | Metsimaholo | National | South African Police Services | 127 607.00 | 129 628.15 | -2 021.15 |
| Awaiting | Bloemfontein | Mohokare | National | National Department of Public Works | 83 773.58 | 815 421.63 | -731 648.05 |
| Awaiting | Bloemfontein | Moqhaka | National | National Department of Public Works | 58 448.00 | 36 983.85 | 21 464.15 |
| Awaiting | Bloemfontein | Moqhaka | National | South African Police Services | 271.91 | 363 850.12 | -363 578.21 |
| Awaiting | Durban | Mandeni | National | Department of Home Affairs | 186 138.00 | 197 852.65 | -11 714.65 |
| Awaiting | Durban | Mandeni | National | Department of Justice | 27 699.00 | 28 303.26 | -604.26 |
| Awaiting | Durban | Mandeni | National | National Department of Public Works | 144 672.00 | 62 809.59 | 81 862.41 |
| Awaiting | Durban | Mandeni | National | South African Police Services | 118 449.00 | 128 342.13 | -9 893.13 |
| Awaiting | Durban | Ndwedwe | National | National Department of Public Works | 4 072.00 | 97 030.39 | -92 958.39 |
| Awaiting | Durban | Ndwedwe | National | Department of Transport | 2 625.00 | 17 008.32 | -14 383.32 |
| Awaiting | Durban | Ubuhlebezwe | National | National Department of Public Works | 327 475.22 | 337 116.78 | -9 641.56 |
| Awaiting | Durban | Umzumbe | National | National Department of Public Works | 274 713.00 | 229 712.90 | 45 000.10 |
| Awaiting | Polokwane | Thabazimbi | National | National Department of Public Works | 425 337.00 | 15 072.69 | 410 264.31 |
| Awaiting | Kimberley | Siyathemba | National | National Department of Public Works | 105 103.44 | 691.08 | 104 412.36 |
| Awaiting | Kimberley | Thembelihle | National | National Department of Public Works | 685 316.00 | 496 523.22 | 188 792.78 |
| Awaiting | Mmabatho | Mamusa | National | National Department of Public Works | 2 090 342.87 | 1 527 288.94 | 563 053.93 |
| Awaiting | Mmabatho | Molopo-Kagisano | National | National Department of Public Works | 254 107.00 | - | 254 107.00 |
| Awaiting | Cape Town | Theewaterskloof | National | National Department of Public Works | 70 702.40 | 113 396.24 | -42 693.84 |
| **Total** | | | | | **31 066 042.77** | **18 052 834.95** | **13 013 207.82** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Table B1 and B2 - Management does not agree with the AGSA finding that: ”the amount on the schedule does not agree to working papers and the reports.” The department listed in table B1 is not part of National Public Works and in Table B2 the verified debt agrees to the working papers and report.  **Contingent Liabilities (Municipal services and property rates** ) | | | | | | | |
| **Table B1** | | | | | | | |
| **Accounts no longer part of National** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Adjustment** |
| In Progress | Port Elizabeth | Inxuba Yethemba | Provincial | Economic Development | 1 483.99 | - | 1 483.99 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table B2** | | | | | | | |
| **Accounts with no differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Home Affairs | 20 515.88 | 20 515.88 | - |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Labour | 17 861.57 | 17 861.57 | - |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | National Department of Public Works | 672 877.75 | 672 877.75 | - |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Social Development | 11 734.85 | 11 734.85 | - |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Transport | 43 076.24 | 43 076.24 | - |

Table B3- Management agrees with the findings of AGSA, however it should be taken into account that this project is a work in progress and that the figures had changed since the data was provided. The verified debt shown is now supported by working papers and reports and an adjustment needs to be made to the financial statements.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table B3** | | | | | | | |
| **Accounts with differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | South African Police Services | 3 646 500.00 | 466 188.34 | 3 180 311.66 |
| In Progress | Mthatha | Mnquma | National | National Department of Public Works | 812 585.01 | 117 847.59 | 694 737.42 |
| In Progress | Durban | eDumbe | National | National Department of Public Works | 174 994.00 | 209 038.48 | -34 044.48 |
| **Total** | | | | | 5 401 629.29 |  | 3 841 004.60 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Tables C1, C2 and C3 - Management does not agree with the AGSA finding that: “the amount on the schedule does not agree to working papers and the reports.” The department listed in table C1 is not part of National Public Works and in Table C2 and C3 the departments listed either show a rounding difference or agreement to the working papers and reports.  **Contingent Assets (Municipal services and property rates )** | | | | | | | |
| **Table C1** | | | | | | | |
| **Accounts no longer part of National** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Adjustment** |
| Awaiting | Nelspruit | Steve Tshwete | Provincial | Safety and Security | -167 421.00 | - | -167 421.00 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table C2** | | | | | | | |
| **Accounts with rounding differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| Awaiting | Nelspruit | Lekwa | National | Department of Labour | -11 894.00 | -11 893.51 | -0.49 |
| Awaiting | Durban | Abaqulusi | National | National Department of Public Works | -147 138.00 | -147 137.53 | -0.47 |
| Awaiting | Durban | KwaDukuza | National | Department of Labour | -242.00 | -241.56 | -0.44 |
| Awaiting | Bloemfontein | Maluti-a-Phofung | National | National Department of Public Works | -293 740.00 | -293 739.75 | -0.25 |
| Awaiting | Nelspruit | Lekwa | National | South African Police Services | -276 130.00 | -276 129.91 | -0.09 |
| Awaiting | Mthatha | Port St Johns | National | Department of Justice | -179 811.00 | -179 810.95 | -0.05 |
| Awaiting | Durban | Uthukela | National | South African Police Services | -164 772.50 | -164 772.77 | 0.27 |
| Awaiting | Nelspruit | Lekwa | National | National Department of Public Works | -115 964.00 | -115 964.33 | 0.33 |
| Awaiting | Nelspruit | Lekwa | National | Department of Correctional Services | -220 337.00 | -220 337.40 | 0.40 |
| **Total** | | | | | -2 223 709.99 |  | -0.79 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table C3** | | | | | | | |
| **Accounts with no differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| Awaiting | Durban | The Big 5 False Bay | National | South African Police Services | -223 730.00 | -223 730.00 | - |
| Awaiting | Durban | Uthukela | National | Department of Correctional Services | -107 378.43 | -107 378.43 | - |
| Awaiting | Durban | Uthukela | National | National Department of Public Works | -56 785.97 | -56 785.97 | - |
| Awaiting | Polokwane | Thabazimbi | National | Department of Correctional Services | -518.17 | -518.17 | - |
| Awaiting | Polokwane | Thabazimbi | National | Department of Transport | -61 867.56 | -61 867.56 | - |
| Awaiting | Kimberley | Kai !Garib | National | South African Police Services | -18 616.20 | -18 616.20 | - |
| Awaiting | Mmabatho | Mamusa | National | South African Police Services | -45 201.07 | -45 201.07 | - |
| Awaiting | Nelspruit | Steve Tshwete | National | Department of Correctional Services | -13 079.33 | -13 079.33 | - |
| Awaiting | Nelspruit | Steve Tshwete | National | Department of Justice | -16 796.83 | -16 796.83 | - |
| Awaiting | Nelspruit | Steve Tshwete | National | South African Police Services | -45 242.42 | -45 242.42 | - |
| Awaiting | Durban | Msunduzi | National | Department of Correctional Services | -57 044.51 | -57 044.51 | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Table D1 and D2 - Management does not agree with the AGSA finding that: “the amount on the schedule does not agree to working papers and the reports.” The department listed in table D1 is not part of National Public Works and in Table D2 the verified debt agrees to the working papers and report.  **Contingent Assets (Municipal services and property rates**) | | | | | | | |
| **Table D1** | | | | | | | |
| **Accounts no longer part of National** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| In Progress | Polokwane | Modimolle | Provincial | Department of Arts and Culture | -102 570.12 | - | -102 570.12 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table D2** | | | | | | | |
| **Accounts with no differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| In Progress | Port Elizabeth | Inxuba Yethemba | National | Department of Justice | -146 347.95 | -146 347.95 | - |

Table D3- Management agrees with the findings of AGSA, however it should be taken into account that this project is a work in progress and that the figures had changed since the data was provided. The verified debt shown is now supported by working papers and reports and an adjustment needs to be made to the financial statements.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table D3** | | | | | | | |
| **Accounts with differences** | | | | | | | |
| **Status** | **Region** | **Municipality** | **Government Level** | **Department** | **CoFF Amount** | **Verified Debt** | **Difference** |
| In Progress | Polokwane | Modimolle | National | National Department of Public Works | -6 800 561.52 | 4 868 749.27 | -11 669 310.79 |

**Auditor’s conclusion**

The revised population was submitted for testing. The initial finding remains until we can confirm that the new population does not have errors

Irregular expenditure

1. **Irregular expenditure: Completeness of irregular expenditure**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institutionmust keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice;

The following communications of audit findings from the testing of procurement and contract management indicate that the irregular expenditure is not complete since the non- compliance identified through the audit process resulted in irregular expenditure.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **COFF number** | **Issue in COFF** | **Region** | **Financial statement line item** | **Amount** |
| 1 | 3 CT | Goods for greater than R500 000 not obtained via open procedure | Cape town | Irregular expenditure | 27 738 285.63 |
| 2 | 5 CT | Incorrect CIDB grading | Cape town | Irregular expenditure | 15 571 315.06 |
| 3 | 6 CT | Incorrect composition of RBAC | Cape town | Irregular expenditure | 28 990 613.22 |
| 4 | 11 CT | Three quotations not obtained | Cape town | Irregular expenditure | 1 180 842.89 |
|  |  |  |  |  | 73 481 056.80 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **COFF** | **Component** | **Description** | **Amount** |
| Kimberly (PMTE) | 1 | Procurement and contract management | Testing competitive bidding – BBBEEE certificate | 14 820 962.00 |
| Kimberly (PMTE) | 2 | Procurement and contract management | Outdated General Condition of Contract used | 3 981 641.00 |
| Bloemfontein (PMTE) | 4 | Procurement and contract management | Consultants appointed on the roster system, competitive bidding process not followed. | 639 936.00 |
| Bloemfontein (PMTE) | 5 | Procurement and contract management | Winning bidder's details not published on Department's website | 32 288 254.00 |
| Bloemfontein (PMTE) | 6 | Contract management | Retention amount incorrectly calculated | 600 529.00 |
| Mmabatho (PMTE) | 5 | Procurement | Procurement: Declaration of interest on submitted for audit | 516 997.00 |
| Mmabatho (PMTE) | 6 | Procurement | invitation to tender not published on the website | 8 625 093.00 |
| Nelspruit (PMTE) | 3 | Procurement | Bid advertised for less than 21 days | 46 660 139.51 |
| Durban (PMTE) | 2 | Procurement | Contract management – information requested could not be provided | 33 504 000.00 |
| Durban (PMTE) | 5 | Procurement | Testing competitive bidding – names of bidders not published on website | 50 532 968.00 |
| Durban (PMTE) | 6 | Procurement | Testing competitive bidding – tax clearance certificate | 7 530 530.00 |
| Durban (PMTE) | 7 | Contract management | Approval of extension of time | 6 143 622.01 |
| Durban (PMTE) | 8 | Contract management | Measures to monitor contract performance and delivery have not been defined and implemented | 6 143 622.01 |
| Durban (PMTE) | 9 | Contract management | Projects not registered with CIDB within 21 days | 6 143 622.01 |
| Umthatha (PMTE) | 1 | Procurement | Limitation of scope | 30 038 762.41 |
| Umthatha (PMTE) | 1 | Procurement | Limitation of scope | 11 129 000.00 |
| Umthatha (PMTE) | 3 | Contract management | Limitation of scope | 14 758 428.61 |
|  |  |  |  | 324 058 106.56 |

This resulted in understatement of irregular expenditure.

|  |
| --- |
|  |

**Internal control deficiency**

## Financial and performance management

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

**Recommendation**

Management should investigate the population of expenditure for all irregular expenditure indicators and update the irregular expenditure register, in addition management should develop and implement internal control procedures to ensure the completeness of the irregular expenditure listing.

**Management response**

Management does agree with the audit findings for the following reasons:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No:** | **COFF number** | **Issue in COFF** | **Region** | **Financial statement line item** | **Amount** | **Management Response** |
| 1 | 3 CT | Goods for greater than R500 000 not obtained via open procedure | Cape town | Irregular expenditure | 27 738 285.63 | Management has disagreed with the audit finding. Supporting documents and discussions were had with Ms Shea and no response suggesting the contrary was received. The approval for the appointment of COEGA was duly approved by the delegated authority. |
| 2 | 5 CT | Incorrect CIDB grading | Cape town | Irregular expenditure | 15 571 315.06 | Management disagreed with the audit finding and substantive evidence was provided with the finding. Risk assessment was conducted on the successful bidder and no negative finding were made. |
| 3 | 6 CT | Incorrect composition of RBAC | Cape town | Irregular expenditure | 28 990 613.22 | Management disagreed with the audit finding.  Mr Smith declared that he was a member of the BEC and subsequently did not vote. However it should be noted that it is required that any person that is acting in a capacity shall be responsible for the execution of the duties and delegated authorities allocated to that post. It must also be noted that this was not the final adjudication of the BAC for that tender as the final adjudication was done on the 17/02/2015, where the BAC was properly constituted. |
| 4 | 11 CT | Three quotations not obtained | Cape town | Irregular expenditure | 1 180 842.89 | Management disagreed with the audit finding.  Three quotations were not obtained, but these were contract extensions. Therefore, the contract was extended on the same terms and conditions of the original contract and were properly approved by the delegated authority. The existing contract was extended based on reasons furnished and was duly approved to ensure continuous effective service delivery to the client.  The TCC was deemed valid as this was an extension of the original contract and an original is available in the Department. |
|  |  |  |  |  | 73 481 056.80 |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | |  |  | |
| **Region** | | | **COFF** | **Component** | **Description** | | | **Amount** | | **Management Response** |
| Kimberly (PMTE) | | | 1 | Procurement and contract management | Testing competitive bidding – BBBEEE certificate | | | 14 820 962.00 | | The error did not result in the incorrect appointment of service provider. The correct was still appointed. |
| Kimberly (PMTE) | | | 2 | Procurement and contract management | Outdated General Condition of Contract used | | | 3 981 641.00 | | The finding does not result in irregular expenditure. |
| Bloemfontein (PMTE) | | | 4 | Procurement and contract management | Consultants appointed on the roster system, competitive bidding process not followed. | | | 639 936.00 | | The finding is acknowledged.  Consultants appointed through the Roster system were previously disclosed as irregular expenditure in 2013/14 financial year. The transactions were subsequently condoned in 2014/15 financial year.  The appointments of consultants from 2013/14 financial year are no longer done through the Roster system but through the PSSR and SCM processes are followed in respect of appointments via either quotation of tendering processes in line with the requirements from National Treasury. |
| Bloemfontein (PMTE) | | | 5 | Procurement and contract management | Winning bidder's details not published on Department's website | | | 32 288 254.00 | | The finding does not result in irregular expenditure. |
| Bloemfontein (PMTE) | | | 6 | Contract management | Retention amount incorrectly calculated | | | 600 529.00 | | The finding does not result in irregular expenditure. |
| Mmabatho (PMTE) | | | 5 | Procurement | Procurement: Declaration of interest on submitted for audit | | | 516 997.00 | | The finding does not result in irregular expenditure. |
| Mmabatho (PMTE) | | | 6 | Procurement | invitation to tender not published on the website | | | 8 625 093.00 | | The finding does not result in irregular expenditure. |
| Nelspruit (PMTE) | | | 3 | Procurement | Bid advertised for less than 21 days | | | 46 660 139.51 | | Management is **not in agreement** with the finding for the following reasons:  The correct information was forwarded to Government Printing Works and other media publications. However, for reasons unknown to the department, the tender was advertised for 17 days in the Government Tender Bulletin (GTB), but correctly advertised in other media, CIDB and the Department’s website for 21 days.  The principles enshrined in section 217 of the Constitution, 1996, in respect of this procurement were complied with by management and we believe that no service provider has been prejudiced as a result of GTB’s omission. Therefore, consequently, there is no contravention that would result in irregular expenditure as a result of GTB’s oversight. |
| Durban (PMTE) | | | 2 | Procurement | Contract management – information requested could not be provided | | | 33 504 000.00 | | The finding does not result in irregular expenditure. |
| Durban (PMTE) | | | 5 | Procurement | Testing competitive bidding – names of bidders not published on website | | | 50 532 968.00 | | The finding does not result in irregular expenditure. |
| Durban (PMTE) | | | 6 | Procurement | Testing competitive bidding – tax clearance certificate | | | 7 530 530.00 | | I am **not in agreement** with the finding for the following reasons:  The original TCC was valid at the time of the closing of the tender on 09/04/2014. The TCC was subsequently verified with SARS at the time of award. An original TCC is available in the Department this regard. |
| Durban (PMTE) | | | 7 | Contract management | Approval of extension of time | | | 6 143 622.01 | | Not irregular |
| Durban (PMTE) | | | 8 | Contract management | Measures to monitor contract performance and delivery have not been defined and implemented | | | 6 143 622.01 | | Not irregular |
| Durban (PMTE) | | | 9 | Contract management | Projects not registered with CIDB within 21 days | | | 6 143 622.01 | | Not irregular |
| Umthatha (PMTE) | | | 1 | Procurement | Limitation of scope | | | 30 038 762.41 | | I am **not in agreement** with the finding for the following reasons:  Due to the fact that Port Elizabeth (PE) Regional Office evaluates bidders on behalf of Umtata Regional Office, original documents are not kept at the region. The AG was informed accordingly about this and was also provided copies of the requested documents. The AG would be required to audit these original documents at the PE Regional Office. |
| Umthatha (PMTE) | | | 1 | Procurement | Limitation of scope | | | 11 129 000.00 | | I am **not in agreement** with the finding for the following reasons:  Due to the fact that Port Elizabeth (PE) Regional Office evaluates bidders on behalf of Umtata Regional Office, original documents are not kept at the region. The AG was informed accordingly about this and was also provided copies of the requested documents. The AG would be required to audit these original documents at the PE Regional Office. |
| Umthatha (PMTE) | | | 3 | Contract management | Limitation of scope | | | 14 758 428.61 | | I am **not in agreement** with the finding for the following reasons:  The payment batch and the copy of the tender document for the 9 successful bidders were submitted.  AG was also informed that all SCM processes for this tender was done at Head Office for all the regions. |
|  | | |  |  |  | | | 324 058 106.56 | |  |

Name: Mr L Toona

Position: Director: Inspectorate & Compliance

Date: 17 March 2016

**Auditor’s conclusion**

Management response is noted the following findings remain unresolved after the evaluation of procurement COFFs was concluded.

|  |  |  |
| --- | --- | --- |
| **No** | **Item description** | **Irregular expenditure identified?** |
| **Head office** | | |
|  | LDM Facilities Management Services (Pty) Ltd (H15/011) | Yes |
|  | Stats SA D and C JV (WCS 05320/1) - (WCS 052360) - value chain | Yes |
|  | Stats SA D and C JV (WCS 05320/2) - (WCS 052360) - value chain | Yes |
|  | Bidvest (HP15/066) | Yes |
|  | Bitupquip Construction CC | Yes |
|  |  |  |
| **Pretoria region** | |  |
|  | Coega Development Corp Pty Ltd (WCS 048582) | Yes |
|  | ADI Investments Pty Ltd (WCS 052132) | Yes |
|  | Tsekwane Investment CC (WCS 052132) | Yes |
|  | Posed Trading and Projects | Yes |
|  | Posed Trading and Projects | Yes |
|  | DS Molapo Trading and Projects | Yes |
|  | DS Molapo Trading and Projects | Yes |
|  | Weaveway Trade CC | Yes |
|  | Seabo Consulting Engineers CC | Yes |
|  | Boleng Consulting Servics | Yes |
|  | Weaveway Trade CC | Yes |
|  | Chibwe Architects SA | Yes |
|  | Manong & Associates | Yes |
|  | RAPDL Construction (WCS 045856) | Yes |
| **Durban region** | |  |
|  | Khonzi Trading and Projects (WCS 052548) | Yes |
|  |  |  |
| **Cape Town region** | |  |
|  | COEGA Development Cooperation (WCS 054104) | Yes |
|  | AR Katz (WCS 046748) | Yes |
|  | Louis Karol (WCS 042638) | Yes |
|  | Nolitha (Pty) Ltd (1019/15) WCS 049596 | Yes |
|  | Haw and Inlis Projects (WCS 046124) | Yes |
| **Pretoria region** | |  |
|  | Bidvest managed solution | Yes |
| **Mpumalanga region** | |  |
|  | Maunga (NST15/010) WCS 050394 | Yes |
| **No** | **Item description** | **Limitation of scope** |
| **Pretoria region** |  |  |
|  | Botsang Ledile/Texas Building JV (WCS 033753) | Yes |
|  |  |  |
| **Umtata region** |  |  |
|  | Somana Construction | Yes |
|  | Condor Construction (WCS 046711) | Yes |
|  | Azcon Projects CC (WCS 045609) | Yes |
| **Cape Town region** | |  |
|  | CGM Security Solutions (ZAPNV1506S1003102395) | Yes |

1. **Irregular expenditure: Completeness of irregular expenditure**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institutionmust keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

During our audit of irregular expenditure it was noted that the following transaction that was identified in the prior year as irregular was not included in the current year irregular register while expenditure was incurred during the year under review relating to this supplier:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **WCS no of a supplier included in the previous year irregular expenditure** | **Supplier name** | **Is it included in the current year irregular?** | **Amount as per irregular current year irregular listing , accruals / actual payments** | **Amount as of expenditure as per GL** | **Difference** |
| 49393 | NOKWANDA PROJECTS CC | No | 0.00 | 1 945 456.23 | -1 945 456.23 |

This resulted in understatement of irregular expenditure.

|  |
| --- |
|  |

**Internal control deficiency**

## Financial and performance management

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

**Recommendation**

Management should investigate the population of expenditure for all irregular expenditure indicators and update the irregular expenditure register, in addition management should develop and implement internal control procedures to ensure the completeness of the irregular expenditure listing.

**Management response**

Awaiting management response

**Auditor’s conclusion**

Management response is not yet due

1. **Irregular expenditure : understated COFF 112**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institutionmust keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

During our audit of leases it was noted that the following lease contracts had expired however there were still payment made toward these suppliers, additional we could not trace the following payments to the irregular expenditure register:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Region** | **File no.** | **Prop Code** | **Description** | **Start date** | **End date** | **Amount incurred** |
| 1 | MMABATHO | 6030/1010 | 297966 | TLHABANE HOUSE | 2005/04/01 | 2010/03/31 | 2 980 118.32 |
| 2 | Cape Town | 6504/5898 | 303721 | Tygerhoek Experimental farm | 2004/06/01 | 2009/05/31 | 2 733.15 |
| 3 | Kimberley | 6611/1696 | 299665 | UNITED BUILDING | 2011/11/01 | 2014/10/31 | 2 372 127.29 |
| 4 | Pretoria | 6029-2786 | 17 | Genl. Piet Joubert Building | 2007/01/01 | 2011/12/31 | 6 765 972.48 |
| 5 | Pretoria | 6029-0209 | 137 | Sol Plaatjie Payments | 2013/03/01 | 2015/02/28 | 32 454 407.53 |
| 6 | Pretoria | 6029-5361 | 163544 | Van Erkom Building | 2006/12/01 | 2009/09/30 | 2 565 783.10 |
| 7 | Pretoria | 6029-6662 | 304406 | Public Protector | 2005/12/01 | 2014/11/30 | 11 289 622.69 |
| 8 | Pretoria | 6029-6762 | 311289 | Pretoria Parkade | 2006/09/11 | 2007/08/31 | 173 653.33 |
| 9 | Pretoria | 6029-1603 | 312646 | Proes Street | 2008/07/01 | 2013/06/30 | 6 180 834.54 |
| 10 | Pretoria | 6029-5589 | 167647 | Gatekeeper Properties Holdings (Pty) | 2004/05/01 | 2012/01/31 | 3 505 556.84 |
| 11 | Pretoria | 6029-0079 | 78 | Kameeleldrift Policw station | 2006/10/01 | 2011/09/30 | 1 428 350.50 |
| 12 | Pretoria | 6029-6915 | 319701 | Ecofusion 5 Block B Building | 2012/11/01 | 2014/10/31 | 2 698 284.88 |
| 13 | Bloemfontein | 6706-345 | 312685 | SAPS: 110 Wilcoks Road: Bayswater | 2014/04/01 | 2014/03/31 | 313 634.53 |
| 14 | Nelspruit | 6043-0192 | 162776 | CNR Kruger and Botha Avenue Witbank | 2014/01/01 | 2014/12/31 | 1 827 794.75 |
| 15 | Nelspruit | 6024-0644 | 301784 | 12 & 14 Jones Street for SAPS | 2011/09/01 | 2012/08/31 | 4 538 464.85 |
|  |  |  |  |  |  |  | 79 097 338.77 |

The impact of this finding is that irregular expenditure may be understated

**Internal control deficiency**

## Financial and performance management

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

**Recommendation**

Management must ensure that irregular expenditure completely recorded

**Management response**

Awaiting management response

**Auditor’s conclusion**

Management response is not yet due

Asset and liability management

# Non-compliance with treasury regulations as bank account is in overdraft (COFF 9)

**Audit finding**

Treasury Regulations (TR) 19.2.3 states that trading entities allowed to open bank accounts may not borrow for bridging purposes and may not run overdrafts on their banking accounts.

During the audit it was noted that the PMTE PMG account (8033) is operating on a bank overdraft.

Furthermore the situation was reported in the prior year financial year and has since increased significantly:

|  |  |  |
| --- | --- | --- |
| **Description** | **Amount** | **Increase in overdraft**  **R** |
| Balance as at 31 March 2015 | R667 586 000 | R853 379 0000 |
| Balance as at 30 September 2015 | R1 520 965 000 |

The current business model of the entity requires PMTE to make payments on behalf of client departments, and only subsequently issue invoices to recover funds.

This will result in non-compliance with TR 19.2.3 and the bank overdraft may cast significant doubt on the entity's ability to continue as a going concern

**Internal control deficiency**

Leadership

The accounting officer does not exercise oversight and responsibility over reporting and compliance with laws and regulations and internal control.

**Recommendation**

National Treasury to be approached for intervention in recovering outstanding claims from client departments as provided for in the PFMA, Section 6(1)(b), “co-ordinate inter-governmental financial and fiscal relations.

Monthly reconciliations need to be performed and action taken to ensure timeous recovery of current debts from client departments.

Management needs to review this overdraft on a monthly basis to ensure the overdraft does not continually increase.

The entity should consider entering into agreements with the user departments to pay the PMTE upfront to alleviate the bank overdraft situation.

**Management response**

Management is in in agreement with the audit finding.

The Department acknowledges that in order to address the situation it is imperative to change the existing operating model. To this end various projects have been initiated to improve the cash flow of the PMTE, including:

* We are engaging all client departments to actively recover long outstanding debt, George Tembo from National Treasury is involved in the process where required. Numerous meetings were already held with client departments and George Tembo.
* We facilitated a meeting between National Treasury and clients not paying within 30 days, the purpose was to try and understand and then address the late payments from client departments.
* Management monitors the bank on a monthly basis.
* Meetings were held with National Treasury to discuss claiming private lease accommodation in advance. National Treasury is supporting the position, however the successful Archibus system implementation was set as a requirement.

The above interventions are bearing results as the bank balance as at the end of February 2016 is a positive balance of R1 316 143 688.36.

Just to note that the bank balance fluctuates dramatically due to very big cash inflows and outflows such as the augmentation received from DPW, reimbursement of DPW for salary expenses.

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 16 March 2016

**Auditor’s conclusion**

Management comment noted and cognisance is taken of the fact that management agrees with the finding. The non-compliance will be reported in the interim management report.

The measures put in place to address the finding will be followed up during the final audit.

Procurement and contract management

1. **Procurement: competitive bidding – Bidvest Managed Solution (Pty) Ltd**

**Audit finding**

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

PPR 4(5) states that tender that achieve the minimum qualification score for functionality must be evaluated further in terms of preference point systems prescribed in regulation 5 and 6.

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

Preferential Procurement Regulation paragraph 6 (5) states that the contract must be awarded to the tenderer who scores the highest total number of points

Preferential Procurement Policy Framework Act 2(1)(f) states that if the supplier scoring the highest points was not selected, objective criteria was used to justify that reasonable grounds exist not to select the tender with the highest points.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number** | **Name** | **Tender number** | **Tender amount** |
| 1 | Bidvest Managed Solution (Pty) Ltd | PT15/078 | R12 648 021.45 |

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days.

The following two bidders achieved the minimum qualification score of 50%, but were not evaluated further in terms of preference point systems:

1. Just Design Landscaping and Maintenance: functionality score 89%
2. Biz Africa Consultants: functionality score 89%

Consequently the points calculated in terms of the preference point system were incorrectly calculated and the contract wasn’t awarded to the tenderer who scored the highest total number of points namely Just Design Landscaping and Maintenance:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number** | **Name** | **Points allocated** | **Points recalculated** | **Difference** |
| 1 | Bidvest Managed Solution (Pty) Ltd | 99.00 | 91.95 | 7.05 |
| 2 | Elphan-te Trading (Pty) Ltd | 81.31 | 73.58 | 7.73 |
| 3 | Servest (Pty) Ltd | 89.07 | 81.32 | 7.75 |
| 4 | Just Design Landscaping and maintenance | - | 98.00 | (98.00) |
| 5 | Biz Africa Consultants | - | 96.40 | (96.40) |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

On advertisement on the website:

The management is not in agreement with the finding: please find the attached website screen-print tender no 104. The advertised bids are still available on the website and have not yet been removed. Auditing team can view them on our website under procurements -tenders- register of received bids.

Not evaluated further in terms of preference point systems:

Just Design Landscaping and maintenance: the management is not in agreement with the finding: the bidder’s CIDB grading was suspended and it is still suspended even now. (See attached CIDB certificates assessed on the 29/03/2016). That information was captured on the BEC minutes page 4, paragraph 4.9, also attached.

On not awarding the highest scoring bidder:

Biz Africa Consultants: the management is in agreement with the finding. We are investigating the root causes of the error/commission/omission and we will respond as soon as possible.

Name: M Dondashe

Position: Regional Manger

Date: 23/03/2016

**Auditor’s conclusion**

On advertisement on the website:

Management response noted, however the audit finding remains. The finding is not about the tender not being advertised, but about the winning bidders not being published according to the regulations.

Not evaluated further in terms of preference point systems:

Management response noted, inspected the CIDB website and noted that the supplier (Just design landscaping and maintenance-CRS number: 151410) status as suspended. The finding therefore remains for Biz Africa Consultants who were not evaluated further

On not awarding the highest scoring bidder:

Management agrees with the finding and the finding remains

1. **Procurement: Investigations not finalized timely**

**Audit finding**

Treasury Regulation 4.1 states that if an official is alleged to have committed financial misconduct, the accounting officer of the institution must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts and agreements applicable in the public service. The accounting officer must ensure that such an investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct.

Treasury Regulation 16A9.1 (b) states that the accounting officer must investigate any allegations against an official or other role player of corruption, improper conduct or failure to comply with the supply chain management system, and when justified take steps against such official or other role player and inform the relevant treasury of such steps; and report any conduct that may constitute and offence to the South African Police Service.

Section 38 of the PFMA states that the accounting officer for a department, trading entity or constitutional institution must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who makes or permits an unauthorised expenditure, irregular expenditure or fruitless and wasteful expenditure.

Treasury regulation 16A3.2 (d)(iv) states that a supply chain management system must provide  at least regular assessment of supply chain performance.

During discussions held with the SCM unit we were informed that the supply chain management (SCM) unit performance is not regularly analysed and monitored to determine whether the proper processes have been followed and whether the desired objectives were achieved. This is substantiated by the number of non-compliances with laws and regulations identified.

The following cases per the allegation register (as at 15 January 2016) were not finalised timely:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Status update on the investigations conducted from 2009/10 to 2015/16 financial years as at 15 January 2016** | | | | | | | | | |
| **Status** | **2009/10** | **2010/11** | **2011/12** | **2012/13** | **2013/14** | **2014/15** | **Total as at 31 March 2015** | **2015/16** | **Total from 1 April 2015 to current** |
| Finalised | 28 | 24 | 60 | 46 | 27 | 23 | 208 | 6 | **214** |
| Internal reporting stage | 0 | 0 | 2 | 2 | 4 | 5 | 13 | 5 | **18** |
| Field work | 0 | 0 | 1 | 4 | 7 | 7 | 19 | 17 | **36** |
| Referral - SIU | 7 | 3 | 4 | 1 | 7 | 3 | 25 | 13 | **38** |
| Referral - SAPS | 0 | 0 | 0 | 2 | 0 | 1 | 3 | 0 | **3** |
| Other departments | 0 | 0 | 1 | 2 | 0 | 0 | 3 | 0 | **3** |
| Referral - business Unit | 0 | 1 | 11 | 1 | 5 | 0 | 18 | 0 | **18** |
| Not started | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **TOTAL** | **35** | **28** | **79** | **58** | **50** | **39** | **289** | **41** | **330** |

Notes about cases not being finalised timely:

1. Thirteen cases ranging from 2011/12 to 2014/15 are still at internal reporting stage. The five cases reported in 2015/16 were reported between June 2015 and July 2015 and are therefore almost 8 months ago old without being finalised
2. Nineteen cases are still in fieldwork stage ranging from 2011/12 to 2014/15. Of the 17 cases in 2015/16, 14 were reported between May 2015 and September 2015 and are between 4 and 9 months old without being finalised.
3. Twenty five cases ranging from 2009/10 to 2014/15 were referred to the SIU and is still not finalised. Of the 13 cases in 2015/16, 14 were reported between May 2015 and September 2015 and are between 4 and 9 months old without being finalised.
4. Three cases ranging from 2012/13 to 2014/15 were referred to the SAPS and is still not finalised.
5. Twenty one cases ranging from 2010/11 to 2013/14 were referred to other departments or business units and is still not finalised.

**Risk**

Losses or damages suffered by the department might not be recoverable due to investigations not being performed timeously.

None compliance with laws and regulations

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Non-compliance with Treasury Regulation 16A3.2 (d)(vi) which will result proper processes not being followed and the desired objectives will not be achieved.

Non-compliance with laws and regulations resulting in irregular and fruitless and wasteful expenditure.

**Recommendation**

Management should ensure that investigations are performed timeously in order to ensure that losses and damages are recovered where necessary.

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Long outstanding investigations should be monitored and reported to the accounting officer.

The supply chain management unit's performance must be regularly assessed and analysed to ensure the proper processes are being followed and the desired objectives are achieved.

**Management response**

The Department as part of its Turn-Around Strategy has built the necessary capacity to institute investigations within 30 days of receipt of allegations as per the Department of Public Works Annual Performance Plan; this is in accordance with the National Treasury Regulation which requires investigations to be instituted within 30 days of allegations being reported. Measures implemented include amongst others appointment of a panel of forensic services providers, use of secondments to expedite the investigations. The chart below seeks to emphasize the progress that has been achieved in terms of clearing the backlog of cases reported and finalised as a result of the implementation of the measures highlighted above.

The nature of investigations are that it is not always possible to complete them within the desired time frames as they are dependent on a number of factors that are not always under the control of the investigator which will have a major impact in terms of the completion period e.g lack of documents/information, absence/unavailability of key role players etc.

Of the total number of 334 allegations reported to the Unit responsible for investigations for the period 2009/10 financial year to date, 219 were finalised and 33 are at internal reporting stage, 16 are at field work and 66 were referred to the SIU/SAPS/Prov Department or Business Units.

Under the leadership of the Deputy Director General: Governance, Risk and Compliance regular engagements are currently held with the Special Investigating Unit (SIU) to ensure that cases referred to them are finalised and for those that will be transferred to the various Proclamations issued to them by the Presidency, close-out reports are submitted to the Department to enable this cases to be closed on the Register of Allegations maintained by the Department.

The Department has further sent correspondences to the South African Police Services (SAPS) to request feedback / progress update on all cases reported to them for further investigation.

Regardless of the above measures, it is worth indicating that unfortunately for the Department once matters are referred to SAPS and the SIU has no control in respect of the time-frames for completing such investigations. The Department does however conduct follow-ups with these Agencies from time to time to establish progress.

In respect of the matters indicated as being on the reporting stages primarily for the 2011/12 – 2013/14 financial years, it should be noted that the preliminary reviews conducted in respect of these matters revealed no evidence to substantiate the allegations made, delays in closing-off these matters on the register resulted from the fact that the Unit intended to ensure that no further evidence/information was available to warrant pursuing these matters further and that they were not hastily closed-off on the register.

For 2011/12 - Three (3) are at reporting stage and zero (0) at field-work.

For 2012/13 - Five (5) are at reporting stage and will be closed on the register, one (1) has been referred to the relevant Unit for resolution as it falls within their area of responsibilities and zero (0) at fieldwork.

For 2013/14 - Ten (10) are at a reporting stage and will be closed on the register, One (1) investigation has been finalised and will be provided to the Director-General to consider corrective measures recommended and zero (0) at field work.

For 2014/15 - Five (5) are at internal reporting, four (4) will be closed on the register and one (1) has been finalised and will be provided to the Director-General to consider corrective measures recommended. Three (3) are to referred to SAPS and one (1) to Provincial Government. One (1) is at fieldwork however it should indicated that phase one of the investigation was completed and a Memo submitted to the Director-General currently the Unit is finalizing phase 2 of the project.

For 2015/16 – Seven (7) at reporting stage, four (4) to be closed on the register and Three (3) reports to will be provided to the Director-General to consider corrective measures recommended. Fifteen (15) are at fieldwork.

Name: Matomo Mabotja

Position: Director: Fraud Awareness and Investigation

Date: 23/02/2016

**Auditor’s conclusion**

Management comment noted, however the audit finding remains. We are in agreement that investigations can’t be closed prematurely and a proper investigation needs to be done, however investigations take very long to finalise and is not finalised timely

1. **Procurement: competitive bidding – Bitupquip Construction CC**

**Audit finding**

Treasury Regulations 16A3.2 states that a supply chain management system must be fair, equitable, transparent, competitive and cost effective.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A8.4 states that if a supply chain management official or other role player, or ay close family member, partner or associate of such official or other role player has any private or business interest in any contract to be awarded, that official or other role player must disclose the interest and withdraw from participating in any manner whatsoever in the process relating to the contract.

Public Finance Management Act section 50(3)(a) states that a member of an accounting authority must disclose to the accounting authority any direct or indirect personal or private business interest that that member or any spouse, partner or close family member may have in any matter before the accounting authority

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

PPR 6 (3) states that a maximum of 10 points may be allocated in accordance with PPR 6 (2)

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

PPR 4 states that the points scored by a tenderer in respect of the level of B-BBEE contribution must be added to the points scored for price

CIDB Regulations paragraph 24 preparation for construction procurement, states that every client or employer who is inviting calls for expression of interest or soliciting competitive tenders without first calling for expressions of interest in the construction industry must publish that invitation to tender on the CIDB’s website

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **WCS** | **Tender No** | **Amount** |
| Bitupquip Construction CC | 044483 | MTHMTYP/14 | 16 661 449.75 |

The winning bidder furnished certain returnable documents on 9 October 2014 which is after the closing date of the bid on 10 September 2014. Furthermore the SBD4 (PA11) was signed on 12 September 2014 which is after the closing date on 10 September 2014.

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

We could not obtain evidence that the tender was advertised on the CIDB website

Unsuccessful bidders

The unsuccessful bidders documentation was not provided and therefore we are unable to determine if the preference points and price points were correctly calculated for the unsuccessful bidder. We are consequently further unable to determine if the bid was awarded to the bidder with the highest points

CIDB requirements:

There was no proof in the file that the tender was advertised on CIDB website and also within 10 working days and before the closing date for tenders and at least 5 working days before any compulsory site meeting

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Non-compliance with Treasury Regulation 16A3.2 (d)(vi) which will result proper processes not being followed and the desired objectives will not be achieved.

Non-compliance with laws and regulations resulting in irregular and fruitless and wasteful expenditure.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response:**

The tender MTHMTYP for Mt Ayliff Prison was not advertised on CIDB while there was another project with tender number MTHAYLP/14 which was advertised for SAPS. These projects were awarded and the project for Mt Ayliff Prison was incorrectly advertised on award under project as SAPS. CIDB will be updated to reflect the correct tender number and contractor.

The tender was advertised on the GTB with tender number MTHMTYP/14 and MTHAYLP/14 which represents the different tenders (Project).

As the department we believe the wrong dates entered on the said forms is a human error, the bid offer was signed on the 06 September 2014 before the closing date.

The advertisement was published on the departmental website and the winning bidder was also published on the GTB on the 23 October 2015. Evidence of the publications is herewith attached.

The tender was advertised and the award was published on the CIDB website. However the advert and award publication appears on the CIDB website was MTHAYLP for SAPS and not MTHMTYP/14 Prison.

Unsuccessful bidder documents were submitted to AGSA on the 16 January 2016 and received by Ms. Doreen Thaga AGSA official. Please find the attached signed register.

Name: R Mabandla

Position: Acting Regional Manager

Date: 03 March 2016

**Auditor’s conclusion**

Returnable documents furnished after the closing date of the bid:

Management comment noted however the audit finding remains as certain returnable documents were submitted after the closing date of the bid and the SBD4 (PA11) was also signed after the closing date of the bid.

Names of bidders and detail of winning bidder not published

Management comment noted and the audit finding remains. No supporting evidence was submitted to enable us to evaluate management comments.

Unsuccessful bidders

Management comment noted and the audit finding remains. No register was submitted to enable us to evaluate management comments.

CIDB requirements and advertisement:

Management comment noted and the audit finding remains. No supporting evidence was submitted to enable us to evaluate management comments.

1. **Procurement: competitive bidding – LDM Facilities Management Services (Pty) Ltd**

**Audit finding**

Treasury Regulation section 16A.6.3 (c) states that bids must be advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Treasury Regulations 16A3.2 states that a supply chain management system must be fair, equitable, transparent, competitive and cost effective.

Preferential Procurement Regulations (PPR) 4(4) states that no tender must be regarded as an acceptable tender if it fails to achieve the minimum qualifying score for functionality as indicated in the tender invitation. No

PPR 4(5) states that tender that achieve the minimum qualification score for functionality must be evaluated further in terms of preference point systems prescribed in regulation 5 and 6.

PPPFA section 10(2) states that tenderers other than Exempted Micro-Enterprises (EMEs) must submit their original and valid B-BBEE status levels verification certificate or a certified copy thereof, substantiating their B-BBEE rating.

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **Tender No** | **Number of days** | **Amount** |
| LDM Facilities Management Services (Pty) Ltd | H15/011 | 14 days | 22 017 515.86 |

The following tenders were not advertised for the required minimum period of 21 days (date of advertisement is 26 October 2012 – 8 November 2012). Furthermore the deviations were not approved in accordance with the SCM policy requirements and no reason was provided for the deviation.

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

The register of receiving bids for bid number H15/011 was not provided and we are therefore unable to determine if the bid of the winning supplier was received before the closing date and time determined for the bid.

Insufficient supporting documentation (as well as no unsuccessful bidders’ documentation) was provided to enable us to recalculate and verify the score awarded for functionality and whether the functionality criteria were met. Consequently we are unable to determine if:

* only tenders which achieved the minimum qualifying score for functionality as indicated in the tender invitation were regarded as acceptable tenders and evaluated further in terms of the preference points.
* all tenders which achieved the minimum qualifying score for functionality were regarded as acceptable tenders and were evaluated further in terms of the preference points.

The original BBBEE verification certificate was provided which will expire on 22 April 2016. However only a uncertified copy of the BBBEE certificate was provided (validity date: 4 June 2012 to 3 June 2012) during the period in which the original award was made.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Non-compliance with Treasury Regulation 16A3.2 (d)(vi) which will result proper processes not being followed and the desired objectives will not be achieved.

Non-compliance with laws and regulations resulting in irregular and fruitless and wasteful expenditure.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

We do not agree with the findings as stated for the following reasons:

1. The acquisition was through participation through a contract that is held by another state department – KZN Public Works in this case (Contract No: ZNT14/13/14) held with LDM (Pty) Ltd, in line with National Treasury Regulation 16A6.6.
2. Tender H15/011 was not advertised in the Government Tender Bulletin for a minimum period of 21 days because it was deviation, a negotiation process was approved by the NBAC in accordance with the SCM policy requirements and reasons for deviation were provided on the attached memo.
3. No names of bidders were published on the website within ten (10) working days after the closure of the advertisement as this tender was not advertised it was a negotiation process with one company. (*see paragraph 1 above)*
4. The register for receiving bids it’s part of the pink file and the copy is attached for your further perusal
5. There are no unsuccessful bidders documentation as this tender was a negotiation process with one bidder, there was no functionality criteria as well for this tender as it was a negotiation process

Name: Nancy Motloung

Position: Assistant Director

Date: 04/03/2016

**Auditor’s conclusion**

Management comment noted, however the audit finding remains. Should the entity opt to follow a competitive bidding process in accordance with Treasury Regulation 16A.6.6, the entity must ensure that the all laws and regulations were followed by the organ of state (KZN Public Works) prior to making a final decision on whether to participate in that bid. All non-compliances and irregular expenditure in relation to that bid will be reported in the entity as such.

1. **Procurement: competitive bidding – Bidvest Facilities Management**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

The following discrepancy was identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Bidvest Facilities Management | HP15/066 | 19 747 453 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers and a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes. Furthermore the deviation was not approved by the accounting officer

Uneconomical use of resources

We are therefore also unable to determine if the procurement was economical

The award was made on 23/09/2015. This was however communicated to the AGSA on 16 October 2015 which is more than 10 days after the deviations. Therefore the AGSA was not notified within 10 working days.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Non-compliance with Treasury Regulation 16A3.2 (d)(vi) which will result proper processes not being followed and the desired objectives will not be achieved.

Non-compliance with laws and regulations resulting in irregular and fruitless and wasteful expenditure.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

We are not in agreement with the finding:

The procurement approach is a result of application of mind and strategic sourcing and not as a result of lack of planning. The DPW after due diligence and compliance to internal business processes acquired the building from TELKOM. DPW as part of its mandate to provide accommodation to government departments allocated the building to South African Police Services (SAPS). SAPS were due to occupy the building on the 1 September 2015.

After acquisition of the Telkom Towers building a process establishing the FM Contract for newly purchased building was started which by its nature would take in excess of six months to set up. Bidvest who was the current maintenance service provider was about to pull out their contractors on site by the end of August 2015. This would have exposed the acquired building to a huge risk that entailed amongst others the eminent spectra of Vandalism, unmanned Waste Water Treatment Works that must be managed, Illegal occupation etc. The acquisition of a Facilities Management Contractor became an urgent case – making it a high priority and best interest requirement that call for early delivery and could have a negative/material result/impact on service delivery/community/public if general procurement procedures were followed.

A Negotiated Procedure for an Interim Facilities Management Contract for 12 months was approved by a duly delegated authority which is the NBAC as per attached PA12. The approval for appointment of Bidvest Facilities Management through a negotiated procedure, which is a legitimate sourcing strategy, was a prudent and sound business decision that was based on the following:

* + Bidvest has been offering facilities management services to Telkom for about 15 years.
  + For purposes of ensuring continuation of services at required performance levels whilst a new procurement process was to unfold it became necessary to engage the services of the current Facilities Management Contractor on site.
  + Also Bidvest had all the documentation and records of the site operation, maintenance etc.
  + DPW requested some inside information from Telkom with regard to maintenance costs that Bidvest charged Telkom. That information was used by FM to budget for maintenance for those Towers and also for negotiate with Bidvest.
  + When Bidvest was asked to bid on the work to be done the cost were even lesser than what Telkom was paying before. The deal was found to be very economical considering the urgency and continue with the Interim Facilities Management Contract.

Award was done on 06 October 2015 as per attached appointment letter (find copy). National treasury and AGSA were notified on 16 October; therefore deviation was reported within 10 working days of reporting.

Name: Raymond Naidoo

Position: CD: SCM

Date: 04 March 2016

**Auditor’s conclusion**

Management comment noted, however the audit finding remains. The bid adjudication committee approved the acquisition of the building on 05 August 2015. The entity could have been anticipated that the facilities contract is coming to an end and therefore the bid should have been advertised and a competitive bidding process followed prior to the contract of Bidvest came to an end.

The award was approved by the bid adjudication committee on 10 September 2015 and approved by the accounting officer on 23 September 2015. No appointment letter was attached as indicated in management response. This was communicated to the AGSA on 16 October 2015 which is more than 10 days after the deviations. Therefore the AGSA was not notified within 10 working days.

1. **Procurement: competitive bidding – STATS SA**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A9.2(a) states that the accounting officer or accounting authority may disregard the bid of any bidder if that bidder, or any of its directors—

1. have abused the institution’s supply chain management system;
2. have committed fraud or any other improper conduct in relation to such system; or
3. have failed to perform on any previous contract;

Treasury Regulation 16A(9)(1e) states that an accounting officer must reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

The following discrepancies were identified:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number** | **Contractor** | **WCS number** | **Tender no** | **Award** |
| 1 | STATS SA | 052360-1 | WG04PEE1 | 20 002 336 |
| 2 | STATS SA | 052360-2 | WG04PEE1 | 34 517 259 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers

Uneconomical use of resources

We are therefore also unable to determine if the procurement was economical

No proof could be obtained on file that the deviation was reported to the AGSA within 10 working days.

Expenditure made in vain:

An amount of R13 701 351.24 was paid to City of Tshwane as per the service level agreement, however City of Tshwane was unable to render the services.

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the winning supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid.

Declaration of bidder's past SCM practices (SBD 8)

The declaration of bidder's past SCM practices (SBD 8) was not completed and signed by the winning supplier, therefore we were unable to confirm that the bidder had no fraud, abuse of the SCM system or non-performance in previous contracts.

Certificate of independent bid determination (SBD 9)

The certificate of independent bid determination (SBD 9) was not completed and signed by the winning supplier Consequently we are unable to determine whether the winning supplier or any of its directors have failed to perform on any previous contract or if the winning supplier, or any of its directors have committed a corrupt or fraudulent act in competing for the contract.

Tax clearance certificate

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order on the day of the closing of the bid.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

 Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management disagrees as this was constituted as an emergency, because bulk services needed to be installed and connected before the service commencement date for the new Head office for StatsSA, failing which, this could have extensive cost implications associated with the Stats SA PPP Agreement as penalty clauses would have been invoked for which DPW would have been liable. Clause 4.1.2 of the Land Availability Agreement between The Department of Public Works and Stats SA states the following: “DPW will take responsibility for the required bulk service contribution due to the CoT in terms of the Stats SA consent use application.” On 4 June 2015 an internal memorandum was submitted to Director-General: M Dlabantu with the heading: Urgent intervention with regard to the provisioning of Bulk Services for the StatsSA Head Office Project – Salvokop. Due to the urgency of the matter a decision was made to make use of the Design and Construction JV who already went through the normal PPP bidding process to be appointed as the preferred bidder for the construction of the StatsSA Head Office JV. DPW and National Treasury (GTAC) were represented in the adjudication of the bid for the PPP.

In order to ensure that the negotiation between the Department and the D&C JV resulted in offers which are responsible, fair and value for money, the advice of an independent Engineer operating under Driver Group Africa was solicited through the signed agreement the Department has with the Government Technical Advice Centre (GTAC) a component of Treasury. Jointly the Department and Driver have scrutinised the Offers made by the D&C JV and found same to be commercially sound and reasonable. Copies of Driver’s assessments are attached as Annexure B.

It was recommended and approved by the Director General that the Department may solicit the approval of StatsSA and the Contractor to participate in the contract for the new StatsSA contract, arranged by means of a competitive bidding process. It was further requested that the said Contractor for the Works required to provide bulk services to the new StatsSA Head Office building according to rates in the PPP contract.

Management disagrees that expenditure was made in vain:

A service Level Agreement was signed with the CoT dated 3 March 2014. Payment was made in accordance to the conditions of the Consent Use approval. The City of Tshwane, in October 2014, indicated to ICR that it is not in a position to perform in terms of the said Service Level Agreement. In a letter dated 25 November 2014 indicated that a formal engagement was forthcoming on how best to utilise this bulk service contribution towards bulk service installations and upgrades. The finalisation of Bulk Service Contributions for the whole of Salvokop extension 4 will only commence after approval of the Township Application. The final reconciliation will be done within the Service Level Agreements between the City of Tshwane and DPW towards the proclamation of Salvokop Extension 4 of which StatsSA will form part. The R13 701 351.24 will be taken into account during this process with the intention that the amount will be deducted from the bigger amount to be paid to the City.

A tax clearance certificate was provided for in the files which were given to the AGSA. Herewith a copy attached and an original may be found in that is in your possession. It must be noted that the Standard Bidding Documents (SBDs) are not applicable in this instance as the department was participating in a Public Private Partnership (PPP) arranged by Stats SA and approved by the National Treasury. There was no bidding that took place.

Name: Annerie Frylinck

Position: Chief Town Planner (Deputy Director – ICR)

Date: 2016/04/12

**Auditor’s conclusion**

Management comment noted, however the audit finding remains. No supporting documentation was provided to enable us to evaluate management comments. Furthermore no supporting documentation, approvals etc was provided regarding the PPP. The file also makes reference to approval obtained from National Treasury which was also not provided by management.

1. **Procurement: quotations - testing R30 000 to R500 000**

**Audit finding**

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Practice Note 8 of 2007/08 paragraph 3.3 states that an accounting officer should invite and accept written price quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the list of prospective suppliers. Where no suitable suppliers are available from the list of prospective suppliers, written price quotations may be obtained from other possible suppliers. If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer or his / her delegate.

Paragraph 2.5 of Practice Note 6 of 2007/08 emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed procurement processes.

Treasury regulation 8.2.1 and 8.2.2 states that an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.

Public Finance Management Act section 38(1)(a)(iv) states that the accounting officer for a department must ensure that the department has and maintains a system for properly evaluating all major capital projects prior to a final decision on the project and a proper needs assessment must be done prior to a final decision on a project.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following discrepancies were identified:

Three quotations not obtained:

Three price quotations were not obtained from different prospective suppliers. The reasons don’t appear reasonable/ justified on the basis that it was impossible/ impractical to obtain 3 written quotations. Furthermore the reasons were not recorded and approved by the delegated official:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Posed Trading Projects | AH266678 | 444 212.40 | Service of air conditioners |
| 2 | Posed Trading Projects | AH266678 | 461 209.80 | Service of air conditioners |
| 3 | DS Molapo Projects Fire Services | 5432 | 499 844.40 | Repair sprinkler control valve |
| 4 | DS Molapo Projects Fire Services | 5056 | 498 453.60 | Repair leaking sprinkler pipes |
| 5 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 6 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 7 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 8 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 9 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 10 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

Consequently we are also unable to determine whether the procurement is economical

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Posed Trading Projects | AH266678 | 444 212.40 | Service of air conditioners |
| 2 | Posed Trading Projects | AH266678 | 461 209.80 | Service of air conditioners |
| 3 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 4 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 5 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 6 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 7 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 8 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

Splitting of award into parts or items of lesser value

The servicing of air conditioners were split into two awards (floors 1 – 4 and floors 5 – 8 ) to avoid the transaction value exceeding the R500 000 threshold and have it being procured through a competitive bidding process (both were approved on the same date):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Posed Trading Projects | AH266678 | 444 212.40 | Service of air conditioners |
| 2 | Posed Trading Projects | AH266678 | 461 209.80 | Service of air conditioners |

Appointment:

The final decision on which quotation to accept was not made by an appropriately delegated official or committee.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 2 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 3 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 4 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 5 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 6 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

Needs assessment:

A proper needs assessment was not done prior to a final decision on the project:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | DS Molapo Projects Fire Services | 5432 | 499 844.40 | Repair sprinkler control valve |
| 2 | DS Molapo Projects Fire Services | 5056 | 498 453.60 | Repair leaking sprinkler pipes |
| 3 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 4 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 5 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 6 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 7 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 8 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the winning supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 2 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 3 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 4 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 5 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 6 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

Construction contracts:

No supporting evidence was on file and consequently we are unable to determine whether:

* the tender invitation for a construction works contract stipulated the minimum category which the bidders must be registered at with the CIDB in order to qualify evaluation.
* the winning contractor is registered with the CIDB
* the winning contractor's grading is suitable for the value of contract
* if the contract was awarded to a contractor who is registered at a grade lower than the required grade
* the contractor is registered in the class of construction works that the projects relates to

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Name** | **Order number** | **Award** | **Description of service** |
| 1 | Chibwe Architects SA (Pty) Ltd | P248573 | 159 429.02 | Construction of gate 3 |
| 2 | Weaveway Trade CC | P244409 | 131 360.11 | Construction of gate 3 |
| 3 | Weaveway Trade CC | P247879 | 117 378.39 | Construction of gate 3 |
| 4 | Seabo Consulting Engineers | P246053 | 74 525.25 | Construction of gate 3, 4 and 5 |
| 5 | Boleng Consulting Services | P247211 | 46 504.68 | Construction of gate 3, 4 and 5 |
| 6 | Manong and Associates | P248683 | 83 857.75 | Construction of gate 3 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Three quotations not obtained:

Management is not in agreement with the finding regarding:

* Posed Trading
* DS Molapo.

Posed Trading is on the approved deviation panel list of contractors which attend to an emergency & urgent unplanned maintenance in the state buildings. The approval was granted by the delegated authority and the reasons for deviation were furnished. (Deviation approval is attached)

Furthermore the transactions for both Posed Trading Projects and DS Molapo Projects Fire Services were done under an emergency delegation for an unplanned day to day maintenance hence only one quotation were obtained as per urgent and emergency delegation in line with Treasury Regulation 16A6.4. The 415 forms which are used for emergency reported cases are attached on the batch and the transactions were ratified by the Sub-Bid Adjudication Committee.

Splitting of award into parts or items of lesser value.

When there is an emergency, a call is logged by the client department and the complaint is registered on the system, Worx for U, and a complaint number is generated. Although the complaints were registered on the same day, however the client logged a call in different times which resulted in the system generating the two different authorization numbers for two separate complaints. It should further be noted that the appointed contractor is already appointed through deviation for a six month period for unplanned maintenance of the state buildings. Therefore, the work undertaken could not be regarded as splitting of award or circumventing SCM processes as it was awarded to a contracted service provider.

Management is also not in agreement with the finding regarding:

* Chibwe Ritschil Architects
* Weaveway Trade CC
* Manong and Associates
* Boleng consulting services
* Seabo consulting engineers.

The service providers in question were appointed in 2005 through Departmental Roster nomination, which was the method applicable to appoint consulting firms. Please refer to attached roster nominations and letter of acceptance from service providers.

It must further be noted that these were consultants (Professional Services) not CIDB registered contractors, therefore no CIDB were required.

The needs assessment to proof that the service was requested by the client is hereby provided, attached please find procurement instruction.

Name: M Dondashe

Position: Regional Manager

Date: 15/03/2016

**Auditor’s conclusion**

Three quotations not obtained and uneconomical procurement:

Management comment noted however the audit finding remains. Regarding the two suppliers that management disagreed with it was noted that the service providers were not part of the approved deviation panel list of contractors which attend to an emergency & urgent unplanned maintenance in the state buildings that was attached by the management. It was also noted that the procurement was not done under an emergency as the department had enough time to obtain three quotations:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Item description** | **Order number** | **Award**  **R** | **Expenditure to date** | **Date services rendered** | **Date call logged** | **Days Lapsed** |
| 1 | DS Molapo Projects Fire Services | 5432 | 499 844.40 | 499 844.40 | 10 Dec 2015 | 08 July 2015 | 155 |
| 2 | DS Molapo Projects Fire Services | 5056 | 498 453.60 | 498 453.60 | 08 Dec 2015 | 11 March 2015 | 272 |
| 3 | Posed Trading projects. | 3767 | 444 212.40 | 444 212.40 | 16 Oct 2015 | 27 Aug 2015 | 20 |
| 4 | Posed Trading projects. | 3765 | 461 209.80 | 461 209.80 | 16 Oct 2015 | 27 Aug 2015 | 20 |

Splitting of award into parts or items of lesser value.

Management comment noted however the audit finding remains. The servicing of air conditioners were split into two awards (floors 1 – 4 and floors 5 – 8 ) to avoid the transaction value exceeding the R500 000 threshold and have it being procured through a competitive bidding process. Furthermore it was noted that the call was logged on the 27 Aug 2015 and approved on the 15 Oct 2015 but the Regional bid adjudication committee and the Job card (work executed ) was approved 16 Oct 2015. Therefore the department had enough time (20 days ) to obtain three quotations. It is also noted that the suppliers is not on a list of the contractor appointed through deviation for a six month period for unplanned maintenance of the state buildings.

The final decision on which quotation to accept was not made by an appropriately delegated official or committee.

Management comment noted, however the audit finding remains. A roster appointment is not in accordance with the required laws and regulations.

Declaration of interest:

No comments received and the finding remains.

Needs assessment:

No procurement instructions provided, and therefore the finding remains.

Construction contracts:

Management comments noted and the finding is resolved.

1. **Procurement: competitive bidding - Tsekwane Investment CC**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A9.2(a) states that the accounting officer or accounting authority may disregard the bid of any bidder if that bidder, or any of its directors—

* have abused the institution’s supply chain management system;
* have committed fraud or any other improper conduct in relation to such system; or
* have failed to perform on any previous contract;

Treasury Regulation 16A(9)(1e) states that an accounting officer must reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Name** | **WCS number** | **Award** |
| 1 | Tsekwane Investment CC | 052132 | 6 704 578.83 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. This relates to consultants appointed on a roster system These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers. Furthermore no proof could be obtained that the deviation was approved by the accounting officer

Uneconomical use of resources

We are therefore also unable to determine if the procurement was economical

No proof could be obtained on file that the deviation was reported to the AGSA within 10 working days.

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the winning supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid.

Declaration of bidder's past SCM practices (SBD 8)

The declaration of bidder's past SCM practices (SBD 8) was not completed and signed by the winning supplier, therefore we were unable to confirm that the bidder had no fraud, abuse of the SCM system or non-performance in previous contracts.

Certificate of independent bid determination (SBD 9)

The certificate of independent bid determination (SBD 9) was not completed and signed by the winning supplier Consequently we are unable to determine whether the winning supplier or any of its directors have failed to perform on any previous contract or if the winning supplier, or any of its directors have committed a corrupt or fraudulent act in competing for the contract.

**Risk**

Non-compliance with laws resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management does not agree with the finding, the estimated fees at the time of appointment was estimated at R98 000 based on the then scope of works which was issued with the Procurement Strategy. There was no need to do competitive bidding as the fees were below R500 000.

The scope was then developed and clarified then the estimated amount increased and the fees increased pro-rata.

Name: M Dondashe

Position:  RM

Date: 22 March 2016

**Auditor’s conclusion**

Management comment noted, however the finding remains. The procurement was above R 500 000 and a competitive bidding process must have been followed.

1. **Procurement: competitive bidding - ADI Investments Pty Ltd**

**Audit finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A9.2(a) states that the accounting officer or accounting authority may disregard the bid of any bidder if that bidder, or any of its directors—

* have abused the institution’s supply chain management system;
* have committed fraud or any other improper conduct in relation to such system; or
* have failed to perform on any previous contract;

Treasury Regulation 16A(9)(1e) states that an accounting officer must reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Name** | **WCS number** | **Award** |
| 1 | ADI Investments Pty Ltd | 052132 | 1215604.52 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. This relates to consultants appointed on a roster system These instances didn’t relate to cases of emergency where immediate action was necessary or where the goods and services required were procured from sole service providers. Furthermore no proof could be obtained that the deviation was approved by the accounting officer

Uneconomical use of resources

We are therefore also unable to determine if the procurement was economical

No proof could be obtained on file that the deviation was reported to the AGSA within 10 working days.

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the winning supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid.

Declaration of bidder's past SCM practices (SBD 8)

The declaration of bidder's past SCM practices (SBD 8) was not completed and signed by the winning supplier, therefore we were unable to confirm that the bidder had no fraud, abuse of the SCM system or non-performance in previous contracts.

Certificate of independent bid determination (SBD 9)

The certificate of independent bid determination (SBD 9) was not completed and signed by the winning supplier Consequently we are unable to determine whether the winning supplier or any of its directors have failed to perform on any previous contract or if the winning supplier, or any of its directors have committed a corrupt or fraudulent act in competing for the contract.

Tax clearance certificate

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order on the day of the closing of the bid.

**Risk**

Non-compliance with laws resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management does not agree with the finding, the estimated fees the time of appointment was estimated at R7 500 based on the then scope of works which was issued with the Procurement Strategy. There was no need to do competitive bidding as the fees were below R500 000. The scope was then developed and clarified then the estimated amount increased and the fees increased pro-rata. See attachment ADI.

**Auditor’s conclusion**

Management comment noted, however the finding remains. The procurement was above R 500 000 and a competitive bidding process must have been followed.

1. **Procurement: competitive bidding – COEGA Development Corporation**

**Audit finding**

Practice Note 8 of 2007/08 states

that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4 states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice Note 6 of 2008 states that Treasury Regulation 16A6.4 is intended for cases of emergency or where goods and services are available from sole service providers. Taking cognizance of the above, accounting officers and accounting authorities are directed to ensure that Treasury Regulation 16A6.4 is utilized strictly to procure goods and services of critical importance and only in specific cases when it is impractical to invite competitive bids.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

Public Finance Management Act section 38(1)(a)(iv) states that the accounting officer for a department must ensure that the department has and maintains a system for properly evaluating all major capital projects prior to a final decision on the project and a proper needs assessment must be done prior to a final decision on a project.

Treasury Regulation 16A3.2 states that a supply chain management system must be fair, equitable, transparent, competitive and cost effective.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract. To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document, accounting officers and accounting authorities are required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

The following discrepancies were identified for the following supplier:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number** | **Name** | **WCS number** | **Tender amount** |
| 1 | COEGA Development Corporation | 048582 | 30 443 000 |

Deviation from competitive bidding:

Service above R500 000 was procured without inviting competitive bids. This doesn’t constitute an emergency or services available from a sole supplier.

Reporting:

The tender was awarded based on a deviation from tender process, however National Treasury and the AGSA was not notified within 10 working days.

Uneconomical use of resources:

The procurement was not necessarily economical and obtained at a reasonable price as it didn’t go through a competitive bidding process.

Needs assessment

A needs assessment evaluating all major capital projects prior to a final decision on the project and a proper needs assessment was not performed prior to a final decision on a project

Declaration of interest

The SBD4 was not completed and signed by the winning supplier to declare

i) whether the bidder or any person connected with the bidder is employed by the state

ii) whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid

SBD8 and SBD 9 (Certificate of independent bid determination):

SBD 8 and SBD 9 were not completed. No documentation was on file to substantiate whether the accounting officer evaluated if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract

Tax clearance certificate

The supplier didn’t submit an original tax clearance certificate from SARS certifying that the tax affairs are in order on the day of the closing of the bid.

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management comments

**Auditor’s conclusion**

Awaiting management comments

1. **Procurement: competitive bidding – Bono Infrastructure Facilities and Project Management**

**Audit finding**

Treasury Regulation section 16A.6.3 (c) states that bids must be advertised in at least the Government Tender Bulletin for a minimum period of 21 days before closure, except in urgent cases when bids may be advertised for such shorter period as the accounting officer or accounting authority may determine.

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Treasury Regulation 16A(9)(1e) states that an accounting officer must reject a proposal for the award of a contract if the recommended bidder has committed a corrupt or fraudulent act in competing for the particular contract

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

The following discrepancies were identified for the following supplier:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number** | **Name** | **WCS and tender number** | **Tender amount** |
| 1 | Bono Infrastructure Facilities and Project Management | 048332 and PT15/001 | R34 836 340.77 |

Advertisement:

No proof could be obtained in file that the tender was advertised in the Government Tender Bulletin.

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

Certificate of independent bid determination (SBD 9)

The certificate of independent bid determination (SBD 9) was not completed and signed by the winning supplier Consequently we are unable to determine whether the winning supplier or any of its directors have failed to perform on any previous contract or if the winning supplier, or any of its directors have committed a corrupt or fraudulent act in competing for the contract.

Preference points

The winning bidder was a level 1 contributor and was incorrectly awarded 9 points instead of 10 points per the scoring model as per inspection of the PA-20. This didn’t result in the incorrect bidder being awarded the tender

**Risk**

Non-compliance with laws and regulations

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

**Management response**

Management is not in agreement with the finding.

SBD 9 and advertisement:

The documents relating to the findings had already been made available by the Project Manager, Ms Dikeledi Malongane, to the auditing team. Please find the attached (SBDD 9 and copy of Tender Bulletin advert).

Preference points:

The auditing team by its own admission has correctly stated that “This didn’t result in the incorrect bidder being awarded the tender”

Advertising of bidders’ names on website:

From the 31 May 2015 from tender PT15/005 we have implemented the Instruction note 32 section 3.2.1. Therefore, on all tenders prior to the said date, we would not be able to provide evidence although we were advertising the names of the bidders in the website as required.

It is further emphasised to the auditing team that the tender was advertised in the 2014/2015 financial year and the non-compliance cannot be corrected retrospectively and has since been addressed.

Name: M Dondashe

Position: Regional Manager

Date: 16/03/2016

**Auditor’s conclusion**

Advertisement and SBD 9:

Management has subsequently provided the information and the finding is resolved.

Publication on website and government tender bulleting

Management response is noted, however the finding remains.

Preference points

Management agreed with the finding and the finding remains

1. **Procurement: contract management**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer  of a department must submit to the relevant Treasury or the Auditor-General such information, returns,  documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

Treasury Regulations 16A6.3 (a) and (e) states that the accounting officer or accounting authority must ensure that bid documentation and the general conditions of a contract are in accordance with

1. the instructions of the National Treasury; or
2. the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry

Practice Note issued by National Treasury on 21 July 2010, Paragraph 3.2.2 states that accounting officers and accounting authorities are required to ensure that all bids are in future invited in terms of the revised General Conditions of Contract

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

PFMA section 38(1)(c) states that the accounting officer for a department, trading entity or constitutional institution must take effective and appropriate steps to—

 (i)  collect all money due to the department, trading entity or constitutional institution;

(ii) prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct; and

(iii) manage available working capital efficiently and economically;

Instruction Note 32 (dated 31 May 2011) paragraph 3.9.3 states that in order to mitigate against such practices, accounting officers and authorities are directed that, from the date of this instruction note taking effect, contracts may be expanded or varied by not more than 20% or R20 million (including all applicable taxes) for construction related goods, works and/or services and 15% or R15 million (including all applicable taxes) for all other goods and/or services of the original value of the contract, whichever is the lower amount. The relevant treasuries may, however, decrease these thresholds for institutions reporting to them.

The following discrepancies were identified:

The contract file was provided for the following supplier; however no documentation was included in the file. Consequently we are unable to verify whether:

* The contract was prepared in accordance with the general conditions of contracts (GCC) as prescribed by National Treasury and the standard wording was not amended and / or if the contract was in accordance to the prescripts of the Construction Industry Development Board, in the case of a contract relating to the construction industry
* The contract details the same goods and services as those specified as part of the bidding process.
* The contract price is not above the tendered price
* Measures to monitor contract performance and delivery have been defined and implemented
* The contract performance measures and the methods whereby it is monitored are sufficient to ensure effective contract management.
* Problems / delays/ defects which were identified during project monitoring or inspections have been rectified.
* A project manager was appointed to monitor the project.
* If it is apparent that the supplier is not performing in accordance with the contract/ service level agreement the applicable penalties have been invoked and/ or the contract terminated for default (as per the GCC and SCC).
* Extension/ modification to the contract (including variation orders):  
  i) was done in accordance with the auditee's policies and procedures.

ii) was approved by a accounting officer / delegated official

iii) the renewal is justifiable and not indicative of a circumvention of procurement processes.

iv) Applicable from 31 May 2011  
Expansions/ variation orders did not exceed the following limits without prior approval by the accounting officer / authority :  
For construction contracts: The lesser of R20 million or 20% of the original contract amount.  
For other goods/ services: The lesser of 15% or R15 million of the original contract price

* The total payments made under the contract up to date do not exceed the original contract price plus any further approved extensions to the contract.
* Goods/services relating to contracts that were completed during the current year were actually received and are being utilised.
* Where the project is not complete retention fee was not paid to the contractor unless retention guarantee was in place
* Where the project/ contract relate to continued needs of the auditee, procurement process to appoint a new provider has commenced.

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **Tender no** | **WCS number** | **Award** |
| Botsang Ledile/Texas Building JV | PT10/074 | WCS 033753 | 20 712 143.58 |

The contract was not signed by both the successful bidder and a delegated official.

|  |  |  |
| --- | --- | --- |
| **Contractor** | **WCS number** | **Award** |
| Sunrise Electrical Wholesalers | WCS 048811 | 13 759 000 |

The 2004 version of the General Conditions of the Contract (GCC) was used and not the revised GCC as per the Practice Note issued in July 2010 for the following supplier

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **Tender no** | **WCS number** | **Award** |
| Ngaa Anglyn JV | PT10/049 | WCS 051920 | 21 948 734 |
| Ngaa Anglyn JV | PT14/063 | WCS 052574 | 31 338 885 |

The GCC/ SCC was not on file to enable us to determine if measures to monitor contract performance and delivery have been defined and implemented and if the contract performance measures and the methods whereby it is monitored are sufficient to ensure effective contract management. Furthermore we can also not determine if the supplier is not performing in accordance with the contract/ service level agreement whether the applicable penalties have been invoked and/ or the contract terminated for default (as per the GCC and SCC).

|  |  |  |
| --- | --- | --- |
| **Contractor** | **WCS number** | **Award** |
| Sunrise Electrical Wholesalers | WCS 048811 | 13 759 000 |

There were variation orders that increased the contract price from R17 897 993 to R24 027 360.These variation orders and the approval thereof were not provided. Consequently we can also not determine if these expansions/ variation orders did not exceed the following limits without prior approval by the accounting officer:  
- For construction contracts: The lesser of R20 million or 20% of the original contract amount.  
- For other goods/ services: The lesser of 15% or R15 million of the original contract price

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **Tender no** | **WCS number** | **Award** |
| RAPDL Construction | PT13/051 | WCS 045856 | 17 897 993 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

The trading entity should update their General Condition of Contract with the latest version issued by the National Treasury and ensure the latest version is used in all contracts concluded going forward.

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Botsang Ledile Texas building JV

Management is not in agreement with this finding. A decision was taken by the departmental legal services few years ago, wherein a decision was taken that it’s not necessary for a contract to be signed as all tender documentation. It was raised by AG previous financial year we explained that that it is not a requirement to have the signed contract with the contract documents, reason being that our contract data cross reference to the applicable contract. This is supported by CIDB Compiler Guide see attached Annexure C.

Ngaa Anglyn JV

Management is in agreement with finding. At the time of going out on tender the Department’s tender data was not yet updated to comply with new version of contract document. This was raised on other contracts in the previous financial year audit; we have corrected the non-compliance as all new tenders are complying with the latest Contract document.

Sunrise Electrical wholesalers

Management is not in agreement with finding. We agree that there were variations/re- measurement, however we do not agree that there is no approval for variations/re-measurements. We hereby attach the supporting documents see Annexure A.

RADPL Construction

Management is not in agreement with this finding. We attach proof of authorisation to pay measurements which were not in terms of applicable contract and construction industry standards, see Annexure B.

Attached is Annexure C. The other Annexure are too big to scan, they can be view from AVN 220.

Name: Mbuyi Dondashe

Position: Regional Manager

Date: 2016/03/17

**Auditor’s conclusion**

Botsang Ledile Texas building JV

Management comment noted, however the finding remains as the required information was not provided.

‘

Ngaa Anglyn JV

Management agrees with the audit finding and the finding remains.

Sunrise Electrical wholesalers

Management comments were noted however it is not addressing the audit finding raised. The finding remains

RADPL Construction

Management comment noted, however the audit finding remains The internal memorandum issued to request approval of additional funds was supported by the D:Projects D Sewada but there was no signature for approval from the PBA:K Matane. The application for additional funds and variation order attached were supported by the D: Projects however not approved by the delegated officials.

1. **Procurement: Procurement – information requested could not be provided**

**Audit Finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following information was requested as per RFI 29A dated 26 May 2016 but to date the information has not been provided for audit purposes:

Declaration of interest by the following employee

|  |  |  |
| --- | --- | --- |
| **No** | **Persal Number** | **Name** |
| 1 | 18571182 | RM MAMOJELE |
| 2 | 22980032 | EE KWINIKA |
| 3 | 27028780 | FN BUTHELEZI |

More findings of this nature could have a limitation of scope impact on the audit report.

**Internal control deficiency**

|  |
| --- |
| Financial and performance management Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe. |
| **Recommendation**  The required information should be provided as a matter of urgency. |

**Management response**

The management is in agreement with the finding on declaration of interest, for the following reasons:

The RFI was not forwarded to the responsible unit.

For FN Buthelezi, her financial disclosure for is attached.

The management is not in agreement with the finding on declaration of interest for other employees, for the following reasons:

The other employees on the list are below SMS level. There is no legislation in place that Departments can invoke to force employees below level 13 (SMS) to declare financial interest

Chapter 2, Part 2 of the Public Service Regulations of 2016 (attached), very clearly identifies only SMS as designated employees that must declare financial interest.

Name: M Dondashe

Position: Act. RM: Pretoria

Date: 24/06/2026

**Auditor’s conclusion**

Management comment noted however the finding remains for FN Buthelezi. The business partnership between FN Buthelezi and Ntombizodwa Yvonne Mhinga in Siyanda Investment Company was not declared. Ntombizodwa Yvonne Mhinga has an interest in a supplier of entity namely Savuka Property Care Services who is conducting business with PMTE.

The finding relating to RM Mamojele and EE Kwinika is resolved

1. **Procurement: Interest – other**

**Audit finding**

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract. To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A8.4 states that if a supply chain management official or other role player, or ay close family member, partner or associate of such official or other role player has any private or business interest in any contract to be awarded, that official or other role player must disclose the interest and withdraw from participating in any manner whatsoever in the process relating to the contract.

The following discrepancies were identified:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **NO.** | **Name of person** | **Position** | **Name of business partner/ associate** | **Relationship to person in service of the auditee** | **Supplier name** | **Total rand-value of award** | **Expenditure (payments) - current year** |
| 1 | NM Malgas | Business Analyst : Business Improvement unit | Mzweleni Khumalo | Business partner | MK Labour Mining and Construction Services | 474 108 | 474 107.71 |

1. MK Labour Mining and Construction Services

Mzweleni has a 50% interest in MK Labour Mining and Construction Services who is a supplier of PMTE. NM Malgas (persal number: 27102599) and Mzweleni Khumalo are business partners in Mjekhu Trading and Projects Co- Operative Limited. The declaration of interest (SBD4) was completed and signed by the supplier (MK Labour Mining and Constructive); however the connection with NM Malgas (any person connected with the bidder) who is employed by the state was not stated.

Detail of the awards to the supplier is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Accounting date** | **Transaction description** | **Amount** |
| MK Labour Mining and Construction Services | 2016/01/08 | 8365\*5274AH2668 | 474 107.71 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **NO.** | **Name of person** | **Position** | **Name of business partner/ associate** | **Relationship to person in service of the auditee** | **Supplier name** | **Total rand-value of award** | **Expenditure (payments) - current year** |
| 1 | RM MAMOJELE | Business Analyst : Business Improvement unit | Motsoekae Peter Moletsane | Business partner | Tshepiso Trading Corporation | 232 273.65 | 232 273.65 |
| 2 | RM MAMOJELE | Business Analyst : Business Improvement unit | Motsoekae Peter Moletsane | Business partner | Afro Connection | 25 400.00 | 25 400.00 |

1. Tshepiso Trading Corporation

MP Moletsane has a 60% interest in Tshepiso Trading Corporation who is a supplier of PMTE. RM Mamojele (persal number: 18571182) and MP Moletsane are business partners in Itshe-lemvelo Co-operative Limited. The declaration of interest (SBD4) was completed and signed by the supplier (Tshepiso Trading Corporation); however the connection with RM Mamojele (any person connected with the bidder) who is employed by the state was not stated

Detail of the awards to the supplier is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Accounting date** | **Transaction description** | **Amount** |
| Tshepiso Trading Corporation | 2016/03/22 | 8365\*8061AH1059 | 232 273.65 |

3. Afro Connection

MP Moletsane has a 60% interest in Afro Connection who is a supplier of PMTE. RM Mamojele (persal number: 18571182) and MP Moletsane are business partners in Itshe-lemvelo Co-operative Limited. The declaration of interest (SBD4) was completed and signed by the supplier (Afro Connections); however the connection with RM Mamojele (any person connected with the bidder) who is employed by the state was not stated

Detail of the awards to the supplier is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Accounting date** | **Transaction description** | **Amount** |
| Afro Connections Cc | 2016/02/03 | 8365\*6153AH2667 | 25 400 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **NO.** | **Name of person** | **Position** | **Name of business partner/ associate** | **Relationship to person in service of the auditee** | **Supplier name** | **Total rand-value of award** | **Expenditure (payments) - current year** |
| 1 | FN Buthelezi | PMTE Manager Real Estate | Ntombizodwa Yvonne Mhinga | Business partner | Savuka property care services | 1 369 915.20 | 285 399.00 |

1. Savuka property care services

NY Mhinga has a 45% interest in Savuka property care services who is a supplier of PMTE. FB Buthelezi (persal number: 27028780) and NY Mhinga are business partners in Siyanda Investment Company. The (SBD4) document was not on file. Furthermore financial disclosure form of FN Buthelezi did not disclose interest in Siyanda Investment Company.

Detail of the payments to the supplier is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Accounting date** | **Transaction description** | **Amount** |
| Savuka property care services | 8365\*0133AG4237 | 2015/04/28 | 57 079.8 |
| Savuka property care services | 8365\*2811AG4237 | 2015/09/07 | 57 079.8 |
| Savuka property care services | 8365\*1317AG4237 | 2015/06/18 | 57 079.8 |
| Savuka property care services | 8365\*6850AG4237 | 2016/02/29 | 57 079.8 |
| Savuka property care services | 8365\*6851AG4237 | 2016/02/29 | 57 079.8 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **NO.** | **Name of person** | **Position** | **Name of business partner/ associate** | **Relationship to person in service of the auditee** | **Supplier name** | **Total rand-value of award** | **Expenditure (payments) - current year** |
| 1 | KM Khumalo | General Manager Properties | Nompumelelo Bongekile Patricia Nkabinde | Business partner | Sigma Lifts and Escalators | 28 406 435.00 | 17 582 444.00 |

1. Sigma Lifts and Escalators

Mrs NB Nkabinde is a director in Sigma Lifts and Escalators who is a supplier of PMTE. KM Khumalo (persal number: 26935911) and NB Nkabinde are business partners in Phindu trading and projects. The declaration of interest (SBD4) was completed and signed by the supplier (Sigma Lifts and Escalators); however the connection with KM Khumalo (any person connected with the bidder) who is employed by the state was not stated.

This will result in non-compliance with laws and regulations resulting in irregular expenditure.

This is an indicator of potential fraud risk.

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

The declaration of interest (SBD4) must be completed and signed by the winning supplier.

Where the supplier has any relationship (family, friend, other) with a person employed by the state and failed to declare it, management should investigate the matters reported to determine whether it is fraudulent.

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

I am in agreement with the finding that the said bidders did not declare their relationships with persons employed by the State as required per SBD4 or PA 11.

Name: Mbuyi Dondashe

Position: Acting Regional Manager

Date: 04/07/2016

**Auditor’s conclusion**

Management agrees with the finding and the finding remains. Management should investigate the matters reported to determine whether it is fraudulent.

1. **Procurement: Interest – family**

**Audit finding**

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Treasury Regulations 16A8.4 states that if a supply chain management official or other role player, or ay close family member, partner or associate of such official or other role player has any private or business interest in any contract to be awarded, that official or other role player must disclose the interest and withdraw from participating in any manner whatsoever in the process relating to the contract.

The following discrepancies were identified:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Number** | **Name of person** | **Position** | **Name of family member** | **Relationship to person in service of the auditee** | **Supplier name** |
| 1 | FL Phasha | Security officer | Pirate Patrick | Spouse | Mogale Amatsha Construction and Projects |

Mogale Amatsha Construction and Projects

FL Phasha (persal number 22826386) is employed by PMTE. PP Phasha is the employee’s spouse and also 100% owner of Mogale Amatsha Construction and Projects. The SBD 4 was provided however the relationship with the employee was not declared on the SBD 4. Where the supplier has any relationship (family, friend, other) with a person employed by the state and failed to declare it, management should investigate the matters reported to determine whether it is fraudulent.

Details of the awards to the supplier are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier Name** | **Batch Number** | **Date** | **Amount** |
| Mogale Amatsha Construction An | 8365\*3530AH2664 | 2015/10/20 | 10 276.00 |
| Mogale Amatsha Construction An | 8365\*7138AH2661 | 2016/03/09 | 47 200.00 |
| Mogale Amatsha Construction An | 8365\*6612AH2651 | 2016/03/10 | 126 845.64 |
| Mogale Amatsha Construction An | 8365\*0517AH2643 | 2015/05/15 | 74 748.76 |
| Mogale Amatsha Construction An | 8365\*2336AH2672 | 2015/08/14 | 29 843.79 |
| Mogale Amatsha Construction An | 8365\*0288AH2683 | 2015/05/07 | 56 834.69 |
| Mogale Amatsha Construction An | 8365\*0533AH2633 | 2015/05/20 | 83 245.20 |
| Mogale Amatsha Construction An | 8365\*0523AH2633 | 2015/05/18 | 27 386.40 |
| Mogale Amatsha Construction An | 8365\*3383AH2664 | 2015/10/12 | 15 828.26 |
| Mogale Amatsha Construction An | 8365\*1284AH2639 | 2015/06/22 | 12 289.60 |
| Mogale Amatsha Construction An | 8365\*0404AH2611 | 2015/07/15 | 17 762.04 |
| **Total** |  |  | **502 260.38** |

This will result in non-compliance with laws and regulations resulting in irregular expenditure.

This is an indicator of potential fraud risk.

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Declarations should be signed on an annual basis by all employees to ensure that any interests held by employees are disclosed. The declarations must clearly also specify any business activity not approved by management.

The declaration of interest (SBD4) must be completed and signed by the winning supplier.

Where the supplier has any relationship (family, friend, other) with a person employed by the state and failed to declare it, management should investigate the matters reported to determine whether it is fraudulent.

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

I am in agreement with the finding that the service provider did not declare his family relationship with one of our staff member however it is important to note that the staff member in question does not get involved in the process relating to the contract or award thereof.

Name: Mbuyi Dondashe

Position: Acting Regional Manager

Date: 04/07/2016

**Auditor’s conclusion**

Management agrees with the finding and the finding remains. Management should investigate the matters reported to determine whether it is fraudulent.

1. **Procurement: competitive bidding – MK Labour Mining and Construction**

**Audit finding**

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

Preferential Procurement Regulation paragraph 8 (1) states that the 80/20 preference point system for acquisition of services, works or goods with a Rand value below R1 million.

If the invitation for bids stipulated 90/10 preference point system will be used and all bids received were equal or below R1 million the tender was cancelled and re-advertised as a 80/20 preference points. The following formula must be used to calculate the points for price in respect of tenders with a Rand value below R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 80  1-  Pt – Pmin | |
| Pmin |

Preferential Procurement Regulation paragraph 6 (5) states that the contract must be awarded to the tenderer who scores the highest total number of points

Preferential Procurement Policy Framework Act 2(1)(f) states that if the supplier scoring the highest points was not selected, objective criteria was used to justify that reasonable grounds exist not to select the tender with the highest points.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number** | **Name** | **Tender number** | **Tender amount** |
| 1 | Mk Labour Mining and Construction | PT15/013 | R422 988.50 |

Publication of bidders

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days.

Price points

The the 9010 preference point system was incorrectly used instead of the the 80/20 preference point system. As all bids received were below R1 000 000, the tender should have been cancelled, re-advertised and evaluated on the 80/20 preference point system.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Bidder** | **Price tendered** | **Client calculation** | **Auditor's calculation** | **Differences** |
| 1 | MK Labour Mining | 422 988.50 | 80.00 | 90.00 | -10.00 |
| 2 | Joan Arma Trading | 453 297.58 | 74.27 | 83.55 | -9.28 |

BBBEE score

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Bidder** | **BBBEE Level** | **Client calculation** | **Auditor's calculation** | **Difference** |
| 1 | MK Labour Mining | 1 | 10.00 | 20.00 | -10.00 |
| 2 | Joan Arma Trading | 2 | 9.00 | 18.00 | -9.00 |

**Risk**

Non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Procurement: competitive bidding – Bakone Consulting Engineering CC**

**Audit finding**

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Treasury Regulation 16A6.3 (d) states that the accounting officer must ensure that awards are published in the Government Tender Bulletin and other media by means of which the bids are advertised.

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

Preferential Procurement Regulation paragraph 8 (1) states that the 80/20 preference point system for acquisition of services, works or goods with a Rand value below R1 million.

If the invitation for bids stipulated 90/10 preference point system will be used and all bids received were equal or below R1 million the tender was cancelled and re-advertised as a 80/20 preference points. The following formula must be used to calculate the points for price in respect of tenders with a Rand value below R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 80  1-  Pt – Pmin | |
| Pmin |

Preferential Procurement Regulation paragraph 6 (5) states that the contract must be awarded to the tenderer who scores the highest total number of points

Preferential Procurement Policy Framework Act 2(1)(f) states that if the supplier scoring the highest points was not selected, objective criteria was used to justify that reasonable grounds exist not to select the tender with the highest points.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number** | **Name** | **Tender number** | **Tender amount** |
| 1 | Bakone Consulting Engineering CC | PT15/123 | R648 147.96 |

Publication of bidders and winning bidder

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence was provided that details of the winning bidder were published in the Government tender bulletin and other media by means of which the bid was advertised.

Price points

The the 9010 preference point system was incorrectly used instead of the the 80/20 preference point system. As all bids received were below R1 000 000, the tender should have been cancelled, re-advertised and evaluated on the 80/20 preference point system.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Bidder** | **Price tendered** | **Client**  **calculation** | **Auditor's**  **calculation** | **Differences** |
| 1 | Tuclin Engineering CC | 752 015.65 | 67.18 | 75.58 | 8.40 |
| 2 | Bakone Consulting Engineering CC | 648 147.96 | 80.00 | 90.00 | 10.00 |

BBBEE score

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Bidder** | **BBBEE Level** | **Client calculation** | **Auditor's**  **calculation** | **Difference** |
| 1 | Tuclin Engineering CC | 0 | 0 | 0 | 0 |
| 2 | Bakone Consulting Engineering CC | 1 | 10 | 20 | 10 |

This will result in non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Procurement: competitive bidding – Savuka Property Care Services**

**Audit finding**

Public Finance Management Act section 38(1)(a)(iv) states that the accounting officer for a department must ensure that the department has and maintains a system for properly evaluating all major capital projects prior to a final decision on the project and a proper needs assessment must be done prior to a final decision on a project.

Treasury Regulations 16A6.2 (b) states that a supply chain management system must, in the case of procurement through a bidding process, provide for the establishment, composition and functioning of bid specification, evaluation and adjudication committees.

Supply Chain Management Policy of 2013 paragraph 8.3.4.2 states that the project Manager/ Leader, SCM practitioner plus a minimum of two additional members shall constitute a Bid Specification Committee

Treasury Regulation 16A3.2 stated that a supply chain management system referred to in paragraph 16A3.1 must be fair, equitable, transparent, competitive and cost effective;

Supply Chain Management Policy of 2013 paragraph 8.3.4.6 that states the appointment of Bid Specification Committee members is complete when the Head of Finance and SCM in the respective regions in case of regional BCs and Chief Director: SCM in the case of Head Office has approved the names endorsed on the application form (PA-25)

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Treasury Regulations 16A6.2 (e) states that a supply chain management system must, in the case of procurement through a bidding process, provide for the approval of bid evaluation and/or adjudication committee recommendations.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract. To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document, accounting officers and accounting authorities are required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Practice Note 8 of 2007 paragraph 6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes

Treasury Regulations16A9.1 (d) states that the accounting officer or accounting authority must reject any bid from a supplier who fails to provide written proof from the South African Revenue Service that that supplier either has no outstanding tax obligations or has made arrangements to meet outstanding tax obligations.

Treasury Regulation 16A9.2 (a) and (b) states that the accounting officer or accounting authority may disregard the bid of any bidder if that bidder, or any of its directors—

1. have abused the institution’s supply chain management system;
2. have committed fraud or any other improper conduct in relation to such system; or
3. have failed to perform on any previous contract; and

(b) must inform the relevant treasury of any action taken in terms of [paragraph (a)](http://agintranet/nxt/gateway.dll/jilc/kilc/xjsg/lwsg/pwsg/j2ri/k2ri/l2ri?f=templates$fn=document-frameset.htm#h).

The following discrepancies were identified:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **Tender No** | **Award** |
| Savuka Property Care Services | PT14/013 | R1 369 915 |

Need assessment

A proper needs assessment was not done prior to a final decision on the project. Furthermore there was no Procurement strategy PA (01) on file

Bid specification

Procurement Strategy PA (01) was not provided. We could not confirm that the bid specifications were compiled by the bid specifications committee.

The PA (25) “request to approve Bid Specification Committee” was not provided. We were therefore unable to determine if the Bid Specification Committee was composed in accordance with the SCM policy. Furthermore we could also not confirm if the specifications were drafted in an unbiased manner and approved in accordance with the requirements of the SCM policy

Publishing of names of bidders

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days.

No evidence was provided that the details of the winning bidder, contract number and description, preference claimed and contract price was also published in the government tender bulleting and department website

Bid evaluation Committee

No evidence was provided that the bid evaluation committee was appointed in terms of Treasury Regulation 16A6.2(e)

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the winning supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid. The declaration provided was declared on 06 January 2016 and not when the bidder was awarded a bid,

Declaration of bidder's past SCM practices (SBD 8)

Declaration of bidder's past SCM practices (SBD 8) was not completed and signed by the winning supplier, declaring that no fraud, abuse of the SCM system or non-performance in previous contracts.

Tax clearance certificate:

A copy of the tax clearance certificate was provided and in the absence of original tax clearance we could not confirm that the tax affairs are in order

This will result in non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendations**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Procurement: quotations – three quotations not obtained**

**Audit Finding**

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Practice Note 8 of 2007/08 paragraph 3.3 states that an accounting officer should invite and accept written price quotations for requirements up to an estimated value of R500 000 from as many suppliers as possible, that are registered on the list of prospective suppliers. Where no suitable suppliers are available from the list of prospective suppliers, written price quotations may be obtained from other possible suppliers. If it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer or his / her delegate.

Paragraph 2.5 of Practice Note 6 of 2007/08 emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed procurement processes.

Treasury regulation 8.2.1 and 8.2.2 states that an official of an institution may not spend or commit public money except with the approval (either in writing or by duly authorised electronic means) of the accounting officer or a properly delegated or authorised officer.

The following discrepancies were identified:

|  |  |  |
| --- | --- | --- |
| **Supplier name** | **Quotation number** | **Quotation description** |
| Ditabane brothers investment | PTQ15/260 | Repairs of swimming pool at Pretoria west training college |
| Tshepiso trading corporation | 8365\*7941AH2648 | Air conditioner repairs (Justice and constitutional development) |

Three quotations not obtained:

Three price quotations were not obtained from different prospective suppliers. The reasons don’t appear reasonable/ justified on the basis that it was impossible/ impractical to obtain 3 written quotations.

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Supplier** | **Award (R)** | **Expenditure to date (R)** |
| 1 | Mogale Amantsha | R83 245.20 | R83 245.20 |

Three quotations not obtained:

Three price quotations were not obtained from different prospective suppliers. The reasons don’t appear reasonable/ justified on the basis that it was impossible/ impractical to obtain 3 written quotations.

Based on the inspection of the Notification of Breakdown Report, the call was logged on 15 January 2015, the date on the quotation is 17 March 2015 and the job card date is the 22 April 2015, the client department certified that the work had been done dated 06 May 2015. Given the timelines, it does not appear that it was impossible/ impractical to obtain 3 written quotations. Therefore, the reasons do not appear justified.

This will result in non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendations**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Procurement: interest**

**Audit finding**

Public Service Act section 30 states that no employee shall perform or engage himself

or herself to perform remunerative work outside his or her employment in the relevant department, except with the written permission of the executive authority of the department.

Furthermore Chapter 3, Section C1 of the Public Service Regulation states that every designated employee shall, not later than 30 April of each year, disclose to the relevant executing authority, on the form determined for this purpose by the Commission, particulars of all his/her registrable interests in respect of the period 1 April of the previous year to 31 March of the year in question.

The following discrepancies were identified:

The following members of senior management didn't declare their interest in the below mentioned entity on the 2015/16 declaration:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the employee** | **Position** | **Supplier name** | **Amount paid** | **Note** |
| CPMR Sehlapelo | Chief Director: Finance | Two Roads Assurance Services | 497 280.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (SA) | 41 540 139.66 | 2 |
| FN Buthelezi | Chief Director: Facility Management | Voldeo CC | 1 609 726.23 | 3 |

1. Supporting documents from CIPC were inspected, however the nature of the changes were not clear as to whether Mr Sehlapelo is no longer a director of the above mentioned company. Furthermore the CIPC report indicates that Mr Sehlapelo is still active director of the company.
2. Declaration provided, however not for the above mentioned company. Furthermore the employee is still an active director of the above mentioned company as per the CIPC reports.
3. Management informed that employee resigned from Voldeo CC, however the employee had interests in the company with effective date from 29 November 2012 to 02 September 2015 which falls within the 2015/16 financial year end. Furthermore the declaration is dated 25 May 2016 which is after financial year.

Furthermore the following employees did not obtain written permission from the executive authority of the department to perform remunerative work outside their employment.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of the employee** | **Position** | **Supplier name** | **State institution were supplier is doing business** | **Amount paid** | **Note** |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | South African Post Office Limited | 93 366.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Transnet TPT | 64 945.80 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Umgeni Water Board | 9 576.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | South African Broadcasting Corpora | 44 460.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Transnet TPL | 5 472.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Sentech Limited | 15 401.40 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | National Home Builders Registratio | 4 115 409.12 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Transnet TE | 415 664.74 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Transnet TFR | 26 063 091.50 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (Sa) | Nelson Mandela Bay Metro | 10 712 753.10 | 1 |
| CPMR Sehlapelo | Chief Director: Finance | Two Roads Assurance Services | Mogalakwena Local Municipality | 497 280.00 | 2 |
| NW Dlamini | Chief Works Manager | Isisekelo Construction And Suppl | KZ: Education | 149 289.52 | 3 |
| TP Mabasa | Chief Works Manager | Comab Trading And Projects (Pty) Ltd | Tshwane Metropolitan Municipality | 32 715.00 | 3 |
| LE Nemusombori | Engineer Chief Grade A | Chew Bowen And Marais Africa | EC: Roads and Public Works | 32 639.69 | 4 |
| FN Buthelezi | Chief Director: Facility Management | Voldeo Cc | SAA Technical | 1 609 726.23 | 5 |
| ZP Sifundza | Water & Waste Water Treatment Plant Proc | Mahlumane Phumelela Trading 3 | Transnet TFR | 1 039 799.13 | 6 |
| ZN Khumalo | Administrative Officer | Lindamanje Tradings | eThekwini Metro | 84 279.74 | 7 |
| ZM Gumede | State Accountant | Lwande Trading Enterprice | Umhlabuyalingana Local Municipalit | 71 300.00 | 3 |
| X Doyiya | Prestige House Keeper | Ndoyiya's Trading Services CC | Chris Hani District Municipality | 66 000.00 | 8 |
| SP Modise | Admin Officer: Project Support | Vans Office Supplies | Independent Electoral Commission | 58 117.08 | 7 |
| M Hlayisi | Cleaner | Vuhumeleri Trading | Department of Defence | 32 373.25 | 3 |
| SH Makofane | Construction Ceta Interns | Selibo Trading & Projects | National Arts Council of South Afr | 13 990.00 | 10 |
| SH Makofane | Construction Ceta Interns | Selibo Trading And Projects (Pty) Ltd | South African Social Security Agen | 25 431.47 | 10 |
| RM Masanabo | Senior Secretary | VNP Solutions (Pty) Ltd | GP: Health | 7 500.00 | 11 |
| AX Fula | Property Management Specialist | Siyaya Teledata Comm & Courier CC | National Health Laboratory | 66 000.00 | 12 |
| MJ Makhubela | Dep.Director. Epwp Enterprise Dev. & Se | Ale Holding CC | Tshwane Metropolitan Municipality | 27 450.00 | 13 |
| MJ Makhubela | Dep.Director. Epwp Enterprise Dev. & Se | Ale Holding CC | GP: Health | 162 400.00 | 13 |
| MJ Makhubela | Dep.Director. Epwp Enterprise Dev. & Se | Ale Holding CC | Department of Defence | 204 892.25.00 | 13 |
| MA Meiring | Quality Surveyor Chief Grade A | Kcl Quantity Surveyors | KZ: Pubic Works | 183 616.62 | 14 |

1. Declaration and request to perform additional remunerative work was provided, however not for the above mentioned company. Furthermore the employee is still an active director of the above mentioned company as per the CIPC reports.
2. Supporting documents from CIPC were inspected, however the nature of the changes were not clear as to whether Mr Sehlapelo is no longer a director of the above mentioned company. Furthermore the CIPC report indicates that Mr Sehlapelo is still active director of the company.
3. Management informed that no request were submitted by the above mentioned employee
4. Management informed that the employee has resigned from the company, however as per the CIPC reports employee resigned on 04 May 2016 which is after the 2015/16 financial year.
5. Management informed that employee resigned from Voldeo CC, however the employee had interests in the company with effective date from 29 November 2012 to 02 September 2015 which falls within the 2015/16 financial year end. Furthermore the declaration is dated 25 May 2016 which is outside of financial year.
6. Management informed that the employee has resigned from Mahlumane Phumelelela. Employee registration and resignation date with Mahlumane Phumelela Trading as per the CAATs report is the same, however the employee is a 100% shareholder and business is still active.
7. Management could not provide with the approval of remunerative work as it was noted by management that the employee has resigned from Mahlumane Phumelelela .Employee registration and resignation date with LINDAMANJE TRADINGS as per the CAATs report is the same, the employee is still an active member and business is still active.
8. Management did not provide with reasons for the above mentioned supplier, the response was for Cooking for Mandela and NDY investment, furthermore employee is an active member with 50% members share.
9. Employee informed that the company is dormant hence no request from employee was received for approval to perform additional remunerative work; however payments are still made to the company.
10. According to CIPC report, the employee is still active director and not removed from the system.
11. Management informed that the employee has resigned from the company, however as per the CIPC reports employee resigned on 04 May 2016 which is after the 2015/16 financial year.
12. The employee request to perform additional remunerative work was not approved by the delegated official, the document provided were not signed. Furthermore it was completed by employee dated 24 April 2016 which is after the 2015/16 financial year.
13. The employee request to perform additional remunerative work was not approved by the delegated official, the document provided were not signed. Furthermore it was completed by employee dated 25 May 2016 which is after the 2015/16 financial year.
14. The employee request to perform additional remunerative work was not approved by the delegated official, the document provided were not signed. Furthermore it was completed by employee dated 29 April 2013.

This will result in non-compliance with laws and regulations

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored

**Recommendation**

Declarations should be signed on an annual basis by SMS members to ensure that any interests held by employees are disclosed prior to 30 April of each year.

These interests should be evaluated to establish whether the employee is engaging him or herself in performing remunerative work outside their employment.

All employees who engage themselves to perform remunerative work outside his or her employment in the relevant department must obtain written permission from the executive authority of the department.

Certificate issued by the registrar of companies indicating active members to support the changes that were made should be provided to the auditors in order to establish the nature of the change and also confirm that the employees have resigned from the companies.

**Management response**

It must be noted by the audit team that the only legislative framework that guides Departments at this point in time when processing applications to perform other remunerative work outside their Department are the provisions set out in section 30(1)(2) of the PSA, including the Code of Conduct. Section 30 also states that if the employee did not receive a response within 30 days the request is deemed approved. Request that were “approved’ in terms on section 30 (3) (b) is not a blanket approval but can still be declined based on contravention of the Code of Conduct, conflict of interest, etc.

Any application to perform other remunerative work can be declined on the basis of posing a conflict of interest, much as it can be declined based on; operational requirements, impacting negatively on the employee’s performance, contravening the Code of Conduct, the employee is using state resources to perform other remunerative work or it prevents the employee from placing their time at the disposal of the State.

The Public Administration Management Act or for short the PAM Act, as it relates to the provision on public servants doing business with the state is not in use effective. Its provisions cannot be applied as yet, meaning it is not yet in force. A process of drafting regulations was undertaken by the DPSA, as the responsible department, with the purpose of simplifying some of the provisions contained therein, doing business with the state being one of them.

So for now, there is no active law that prevents spouses or public servants from doing business with the State.

The following members of senior management didn't declare their interest in the below mentioned entity on the 2015/16 declaration:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the employee** | **Position** | **Supplier name** | **Amount paid** | **Note** |
| CPMR Sehlapelo | Chief Director: Finance | Two Roads Assurance Services | 497 280.00 | 1 |
| IA Fazel Ellahi | Head: Governance Risk And Compliance | System Applications Products (SA) | 41 540 139.66 | 2 |
| FN Buthelezi | Chief Director: Facility Management | Voldeo CC | 1 609 726.23 | 3 |

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

* 1. Mr. CPMR Sehlapelo indicated that the process of resignation as a Director in Two Roads Assurance Services commenced before he joined the Department of Public Works in 2014 (Tag A). COR 39 Certificate was issued on 18 December 2014 that Mr. Sehlapelo is no longer a Director in Two Roads Assurance Services. The amount indicated in the column Amount paid was paid to the Company and not necessarily to Mr. Sehlapelo. In RFI 30 a Excel Spread sheet was attached that indicated that Mr. Sehlapelo’ CIPC Membership Status is active which is contradictory to the column CIPC Resig Date which reflects the same date as the date on the COR 39 Certificate of 18 December 2014. 18 December 2014 is the date on which he ceased to be a Director in Two Roads Assurance Service. The Director: HRA will meet with CIPC to clarify the contradictory information.

I am not in agreement with the finding:

* 1. Mr. IA Fazel Ellahi was transferred to the Department with effect from 1 February 2015. Mr Fazel Ellahi as indicated in the information supplied by the Auditor-General for RFI 30 confirmed that he resigned from the company prior to assuming duty with the Department. Please note the same contradiction in information exist as in the case of Mr. Sehlapelo

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **CIPC\_INITIALS** | **CIPC\_SURNAME** | **CIPC\_ID\_NO\_DIR** | **CIPC\_APPOINTDAT** | **CIPC\_RESIGDATE** | **CIPC\_MEMBER\_TYPE** |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |
| I A | FAZEL ELLAHI | 6702175049050 | 03/23/2002 | **01/01/2015** | Director |

I am not in agreement with the finding:

There is no evidence provided by the audit team that suggests that the said identified employees have engaged themselves, or are engaged, in remunerative works outside the public service with the necessary approval of the Executive Authority, or his delegate.

Name: R Mostert

Position: D: HRA

Date: 30/6/2016

**Auditor’s conclusion**

Interest not declared

Management comments noted and finding remains until such time as the resignations from the mentioned entities were provided:

* Mr. CPMR Sehlapelo: the CORR 39 indicated that a change was made but it doesn’t specify which change was made. The finding remains until such time as proof of the resignation from the mentioned entity were provided and clarity is received from the department on the contradicting information after their meeting with CIPC.
* IA Fazel Ellahi: The finding remains until such time as proof of the resignation from the mentioned entity were provided and clarity is received from the department on the contradicting information after their meeting with CIPC.
* FN Buthelezi: subsequently the declaration for FN Buthelezi was provided and the finding is resolved for FN Buthelezi.

Remunerative work

Management comments noted and finding remains. Employees of the entity have interest in suppliers who is conducting business with government. We are unable to determine if they obtained written permission from the executive authority of the department to perform remunerative work outside their employment, as these interests have not been evaluated by management to establish whether the employee is engaging him or herself in performing remunerative work outside their employment,

1. **Procurement: competitive bidding – Caledon River Properties CC t/a Magwa Trading**

**Audit finding**

Instruction note 32 paragraph 3.2.1, states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

Treasury Regulation 16A6.3 (d) states that the accounting officer must ensure that awards are published in the Government Tender Bulletin and other media by means of which the bids are advertised.

Preferential Procurement Regulation paragraph 11(8) states that a person must not be awarded points for B-BBEE status level if it is indicated in the tender documents that such a tenderer intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a tenderer qualifies for, unless the intended sub-contractor is an Exempted Micro Enterprise that has the capability and ability to execute the sub-contract.

The following discrepancies were identified:

|  |  |  |
| --- | --- | --- |
| **Supplier name** | **Tender Number** | **Tender value** |
| Caledon River Properties CC T/A Magwa Construction | H15/032 | 23 872 750.26 |

Publication on the website

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting or website or other media by means of which the bids are advertised

Preference points

The tender documents provided did not indicate the percentage of the value of the contract the bidder intended to sub-contract, and whether or not do the intended subcontractors qualify for at least the points that such a bidder qualifies for. We are therefore unable to determine if no points should have been awarded for B-BBEE status level if it is indicated in the tender documents that the bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a bidder qualifies for (unless the intended subcontractor is an exempted micro enterprise that has the capability and ability to execute the sub-contract).

These are the sub-contractors in question referred to in the finding:

* Electpanel
* K and V
* Firetech CC
* Mandla Tata Power Solutions

This will result in non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

No management response received

**Auditor’s conclusion**

In terms of paragraph 32 of our engagement letter, audit findings concerning control deficiencies, identified misstatements in the financial statements and non-compliance with laws and regulations will be communicated during the course of the audit and management will be requested to address these. Submission of a response to these communications, whether it be comments, information or documentation in support of action taken, will be required within a reasonable time, which should not exceed three working days from the date of the communication of the finding, unless a different timeline is expressly agreed in writing with the auditors.

Management responses were not submitted within the agreed three days and a different timeline was not agreed and as such will no longer be taken into consideration in finalising the audit.

1. **Procurement: competitive bidding: Telkom Towers**

**Audit Finding**

Practice Note 8 of 2007/08 states that the accounting officer should invite competitive bids for all procurement above R 500 000. Should it be impractical to invite competitive bids for specific procurement, e.g. in urgent or emergency cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. The reasons for deviating from inviting competitive bids should be recorded and approved by the accounting officer are required to report within ten (10) working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name/s of the supplier/s, the amount/s involved and the reasons for dispensing with the prescribed competitive bidding process

Treasury Regulations 16A6.1 states that procurement of goods and services, either by way of quotations or through a bidding process, must be within the threshold values as determined by the National Treasury.

Treasury regulation16A6.4  states that if in a specific case it is impractical to invite competitive bids, the accounting officer or accounting authority may procure the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 states that in instances where it would be impractical to invite competitive bids, Treasury Regulation 16A6.4 provides for such instances where accounting officers are allowed to dispense with competitive bidding processes to procure goods and services by other means. This provision is intended for cases of emergency where immediate action is necessary or if the goods and services required are produced or available from sole service providers. The reasons for such action must be recorded and approved by the accounting officer or accounting authority.

Practice note 6 of 2007/08 further states that an effective system of supply chain demand management requires an accounting officer or accounting authority to ensure that the resources required to support the strategic and operational commitments of an institution are properly budgeted for and procured at the correct time. Planning for the procurement of such resources must take into account the period required for competitive bidding processes. It must therefore be emphasized that a lack of proper planning does not constitute a reason for dispensing with prescribed bidding processes.

Practice Note 8 of 2007 paragraph6.1 states that the accounting officer must be in possession of an original valid tax clearance certificate for all price quotations and competitive bids exceeding the value of R30 000 (VAT included). Paragraph 6.2 further states that if an accounting officer is in possession of a supplier’s original valid tax clearance certificate, it is not necessary to obtain a new tax clearance certificate each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate that is in the accounting officer’s possession. Whenever this ruling is applied, cross-reference must be made to the original tax certificate for audit purposes.

Preferential Procurement Policy Framework Act 5 of 2000 paragraph 16 states that no contract may be awarded to a person who has failed to submit an original Tax Clearance Certificate from the South African Revenue Service (“SARS”) certifying that the taxes of that person to be in order or that suitable arrangement have been made with SARS.

Practice note 7 of 2009/10 states that if a supply chain management official or other role player, or any close family member, partner or associate of such official or other role player, has any private or business interest in any contract to be awarded, that official or other role player must disclose that interest and withdraw from participating in any manner whatsoever in the process relating to that contract.  To give effect to the above, the National Treasury issued a standard bidding document (SBD 4) “Declaration of Interest” on 5 December 2003 as part of Supply Chain Management (SCM) Practice Note Number SCM 1 of 2003. In terms of this document the accounting officer is required to customize and utilize the form as part of their bidding documents so that bidders or their authorized representatives could declare their position in relation to any person employed by the principal institution.

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

The DPW business process requires that on receiving the procurement instruction and fund confirmations, a memorandum to valuation service will be prepared requesting the valuation unit to appoint a valuer to determine the market value of the property and obtain concurrence from the Land Affairs Board. Once all the necessary information pertaining to the property and its surrounding has been sourced and analysed, notifies the supervisor that the required information for the Specification Committee has been analysed and sorted for use by the specification committee.

* 1. Pg. 20: Check the document for accuracy and correctness and the informs the manager that all the require document is currently in place for the Bid Specification Committee (BSC) to meet and prepare the required documentation to be presented to the Regional Bid Adjudication Committee (RBAC)
  2. Pg. 20: the Project Leader nominates the members of the BSC and then forwards this information to the Head of Finance via SCM for approval.
  3. Pg. 20: Once the Members have been approved, the BSC meet s and discuss the following:
* The motivation and request to the Regional Bid Adjudication Committee for the procurement strategy to be approved.
* The responsiveness criteria to be approved ( this will be used to test the responsiveness of the subject property to the needs and the specification of the client)
* Once the strategy is approved and the committee members are noted, the committee becomes the Evaluation Committee.
  1. Pg. 20: Once the negotiated strategy and responsiveness criteria have been approved and the Evaluation Committee members have been noted by the Regional Bid Adjudication Committee meets with the seller and negotiates the purchase price making sure that the price negotiated does not exceed the market value.

In terms of section 38(1)(a)(iv) of the PFMA the accounting officer for a department must ensure that the department has and maintains an appropriate procurement and provisioning system which is fair equitable, transparent, competitive and cost effective.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Tender description** | **WCS no.** | **Award** |
| Telkom Retirement Fund | Acquisition of the Telkom towers complex | 054509 | 741 000 000.00 |

Information not provided

The AGSA was unable to conclude on certain aspects of the SCM process as the following information was not provided and therefore, resulted into limitation of scope.

* + - Appointment letters for the Member of the Regional Adjudication Committee;
    - Appointment letters for the Member of the National Adjudication Committee and
    - Copy of the bank statement reflecting the balance of the closed investment accounts and proof of receipt of the amount by the Department.

Availability of funds

In terms of the DPW business process for property management approved on 06 February 2007: Acquisition of fixed owned property by common law (buying) via the negotiated process. (DPW business process) Pg. 18: when embarking on the process the Director Property management must receive the procurement instruction from KAM which include amongst others, confirmation and availability of funds, Instruction to acquire fixed property, the manner of acquisition and approved need assessment.

In terms of Section 3(a) of the Preferential Procurement Policy Framework Act, an organ of state must, prior to making an invitation for tenders properly plan for, and, as far as possible, accurately estimate the costs of the provision of services, works or goods for which an invitation for tenders is to be made. In a letter dated 3 June 2015, the DPW DG requested funding form the DG, National Treasury for the acquisition and rehabilitation of Telkom Towers complex. The DPW had already negotiated and received an offer of R 650 million plus VAT (R 741 million)

The request for funding for Nation Treasury was abandoned after the SAPS indicated to the DPW that they will provide funds towards the procurement of the building during the financial years 2016/2017 and 2017/2018.

The SAPS transferred R404 260 000.00 to the DPW towards the procurement of the Telkom Tower complex. The AGSA was not provided with evidence reflecting that DPW had an approved budget for R366 740.000.00 (difference between total price and funds received from the SAPS) towards the procurement and rental accommodation of the Telkom Tower complex.

The DPW has also spent a further R30 million on occupational rent without the building being occupied.

Deviation from competitive bidding:

The acquisition of the Telkom towers was not procured through a competitive bidding process. There was no evidence on file that the deviation was approved by the Director General.

Deviation reported to the Auditor-General:

There was no proof on file that the deviation was reported to the AGSA within 10 working days

The tenders were awarded based on a deviation from tender process, however AGSA was not notified within 10 working days resulting non-compliance.

Tax clearance certificate:

Although the tax clearance was submitted, it was noted that the tax clearance certificate of the supplier was valid from 29/04/2016 until 29/04/2017 after the offer of purchase was acceptance and approved by the Director General dated 06 August 2015.

Declaration of interest:

The declaration of interest (SBD4) was not completed and signed by the supplier declaring whether the bidder or any person connected with the bidder is employed by the state or whether the bidder, or any person connected with the bidder, have any relationship (family, friend, other) with a person employed by the state and who may be involved with the evaluation and or adjudication of this bid.

The declaration of bidder's past SCM practices (SBD 8) was not completed and signed by the winning supplier and no fraud, abuse of the SCM system or non-performance in previous contracts was declared. This will result in non-compliance

This will result in non-compliance with laws and regulations resulting in irregular expenditure

The occupational rent paid without the building being occupied is fruitless and wasteful expenditure

**Recommendations**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Inadequate oversight by the DPW Management in respect of SCM resulting in the following issues of non-compliance:

1. The SCM prescripts were not adhered to
2. Procurement budget was not confirmed prior procurement process.
3. The involvements of DPW supply chain management office through the procurement process.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

1. **Procurement: competitive bidding – Vodacom**

**Audit Finding**

Instruction note 32 section3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulletin.

Treasury regulations 16A6.3(b) states that the accounting officer or accounting authority must ensure that bid documentation include evaluation and adjudication criteria, including the criteria prescribed in terms of the Preferential Procurement Policy Framework Act, 2000 (Act [No. 5 of 2000](http://agintranet/nxt/gateway.dll/jilc/kilc/xjsg/cqsg/dqsg?f=templates$fn=document-frameset.htm#0)) and the Broad Based Black Economic Empowerment Act, 2003 (Act [No. 53 of 2003](http://agintranet/nxt/gateway.dll/jilc/kilc/qcqg/emto/fmto?f=templates$fn=document-frameset.htm#0)).

Preferential procurement regulations 4(1) states that an organ of state must indicate in the invitation to submit a tender if that tender will be evaluated on functionality.

Preferential procurement regulations 4(3) states that when evaluating tenders on functionality the

(a) evaluation criteria for measuring functionality;

(b) weight of each criterion;

(c) applicable values; and

(d) minimum qualifying score for functionality, must be clearly specified in the invitation to submit a tender.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Tender no.** | **Tender description** | **Award** |
| Vodacom (Pty) Ltd | HP14/136 | Unified communication solutions(LCR, mobile and other related services) | R27 362 640.16 |

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days

The bid invitation (PA-04: Notice of invitation to bid) document did not state that bidders will be evaluated with functionality as per advertisement on the Government tender bulletin dated 14 November 2014 (http://www.treasury.gov.za/divisions/ocpo/ostb/bulletins/2014/2847.pdf.) It was however noted that through the bid evaluation committee meetings functionality was used as an evaluation criteria. The minutes dated were as follows

- 24 October 2014

- 16 February 2015

- 17 February 2015

Therefore invitation documentation did not indicate that functionality will be evaluated, even though functionality was used as evaluation criteria.

This will result in non-compliance with laws and regulations resulting in irregular expenditure

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendations**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Awaiting management response

**Auditor’s conclusion**

Awaiting management response

Predetermined objective

1. **New Indicators are not well defined due to exclusions of baselines in the Annual Performance Plan.**

**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.

In accordance with Chapter 3.3 of the Framework for managing programme performance information, performance targets must be specified relative to current baselines. The first step in setting a target is for an entity is to determine its baseline.

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. Where a system for managing performance information is being set up, initial baseline information is often not available. This should not be an obstacle and the entity should demonstrate alternative methods applied in setting baselines e.g. use of reliable statistical information, cost projections etc.

* During the review of the 16/17 Annual Performance Plan of PMTE, we noted that there is no clear identification of methods used to determine baselines for the new performance indicators as required by the National Treasury’s *Framework for managing programme performance information (FMPPI)*. Please refer below for the detail of performance indicators and targets affected by this deviation:

|  |  |
| --- | --- |
| **Programme 3: Construction Project Management** | |
| **Performance Indicator** | **Target** |
| Number of approved infrastructure project designs | 300 approved infrastructure project designs |
| Number of approved infrastructure projects ready for tender | 406 approved infrastructure projects ready for tender |
| Number of infrastructure sites handed over for construction | 216 infrastructure sites handed over for construction |
| Number of IPMPs for new construction projects submitted to the Project Management Office (PMO) | 3 IPMPs for new construction projects submitted to the Project Management Office (PMO) |
| Number of IPIPs for new construction projects submitted to the Project Management Office (PMO) | 3 IPIPs for new construction projects submitted to the Project Management Office (PMO) |
| Percentage reduction of backlogs in infrastructure projects. | 15% reduction of backlogs in infrastructure projects |

|  |  |
| --- | --- |
| **Programme 4:** **Real Estate Management** | |
| **Performance Indicators** | **Targets** |
| 15% reduction of backlogs in infrastructure projects | 20% (4 of 20) reduction of identified-in properties within the security cluster |
| Number of IPMPs for new leased accommodation submitted to the Project Management Office (PMO) | 3 IPMPs for new leased accommodation submitted to the Project Management Office (PMO) |
| Number of IPIPs for new leased accommodation submitted to the Project Management Office (PMO) | 3 IPIPs for new leased accommodation submitted to the Project Management Office (PMO) |
| Percentage of revenue increased through rentals of harbour related properties | 10% increase in revenue through rentals of harbour related properties |
| Percentage of DAFF certified Operation Pakisa Ocean economy leasing requests processed within agreed timeframes | 100% DAFF certified Operation Pakisa Ocean economy leasing requests processed within agreed timeframes |
| Percentage of approved list of immovable assets let out for revenue generation | 50% of approved list of immovable assets let out for revenue generation |

|  |  |
| --- | --- |
| **Programme 6: Facilities Management** |  |
| **Performance Indicators** | **Targets** |
| Number of IPMPs for new maintenance projects submitted to the Project Management Office (PMO) | 3 IPMPs for new maintenance projects submitted to the Project Management Office (PMO) |
| Number of IPIPs for new maintenance projects submitted to the Project Management Office (PMO) | 3 IPIPs for new maintenance projects submitted to the Project Management Office (PMO) |
| Percentage of SMME contracts awarded on the planned maintenance programme | 50% SMME contracts awarded on the planned maintenance programme |
| Number of kilowatt hours of renewable energy generated | 2,215,000kWh of renewable energy generated |

The annual performance plan lacks inclusion of technical indicator descriptions or data definitions that have a clear meaning for the indicators and targets set.

Lack of baselines for new targets makes it difficult to determine whether set targets are achievable or realistic given existing capacity resulting in difficulty in monitoring and managing performance in order to improve service delivery.

**Internal control deficiency**

## Financial and performance management

The annual performance plan and the strategic plan were not adequately reviewed to ensure only inclusion of targets that are achievable and realistic given existing capacity.

**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**

Baselines information is not available since the PMTE has not measured performance in this specific manner in the prior years

Most performance indicators are new and the department has not been measuring these areas in the prior years. Therefore the baseline information is not available. The PMTE will put in place the relevant systems to record the new performance in 2016/17

Systems to be introduced in 2016/17 to ensure proper recording of performance in the abovementioned areas

**Auditor’s conclusion**

Management comment was noted that the baselines information is not available since PMTE has not measured performance in this specific manner in the prior years, however this is not in according with the Performance management and reporting framework which state that “Where a system for managing performance information is being set up, initial baseline information is often not available. This should not be an obstacle and the entity should demonstrate alternative methods applied in setting baselines e.g. use of reliable statistical information, cost projections etc”.Therefore this finding is not resolved

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**

The management comment was noted that department did not have sufficient capacity in strategic planning to undertake the planning for PMTE and that this is being addressed with the creation of a PMTE structure was noted. However the indicators/measures highlighted in the finding do not have a clear unambiguous definition and they are not defined so that data will be collected consistently. Therefore this finding still stands and will be reported in the management report.

1. **Supporting documents not 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 interim 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** | **Quarter 1 (Achievement)** | **Quarter 2 (Achievement)** | **Comment** |
| Number of lease agreements reviewed according the rental rate per square metre and escalations | 99 | Not reported on | No sound evidence was provided for audit, business process submitted is not providing required audit evidence. |
| Percentage of leases renewed before expiry date | 40% | Not reported on | No sound evidence provided for audit |
| Percentage of leased accommodation (lease in) provided within agreed time frame | 28% | Not reported on | No sound evidence provided for audit |
| Percentage of surplus freehold property allocated towards BBBEE | 25% of 300 | Not reported on | No sound evidence provided for audit |

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme 6: Facilities Management** | |  |  |
| **Performance Indicator** | **Quarter 1 (Achievement)** | **Quarter 2 (Achievement)** | **Comment** |
| Number of identified buildings with Facilities Management Contract | 0 | 157 buildings identified for FM contract and 10 buildings are awarded FM contract | No evidence was provided for audit |
| Reduction in kilowatt-hour (Kwh) usage achieved on energy consumption | 18 065 380 | Shared savings of 48 706 478 were achieved | No sound evidence was provided for audit, progress reports and invoices submitted could not be linked to energy savings reported since there is no listing of savings per region. |
| Reduction in kilolitre (Kl) usage achieved on water consumption | 0 | 3 449 521 water savings achieved | No sound evidence was provided for audit, progress reports and invoices submitted could not be linked to water savings reported since there is no listing of savings per region. |
| Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days | 30% | 34% calls managed (logged and completed) | No supporting evidence was submitted for calls managed within 5 days; only a spreadsheet with the number of calls was received. |
| Number of work opportunities created through maintenance programmes (DPW & EPWP | 1 915 |  | Inadequate evidence was submitted, a listing of work opportunities was not submitted therefore documents submitted (contracts and IDs) cannot be linked to information reported. |

The department does not have controls in place to ensure that actual achievements reported in the quarterly 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:

1. Non-compliance with the National Treasury Framework for managing performance information.
2. The reported information as contained in the quarterly report may not be valid, accurate and complete therefore the actual achievements may be overstated and inaccurate.
3. This could result in material limitation for all the affected programme

**Internal control deficiency**

Based on the aforementioned the matter is as a result of the following internal control deficiencies:

Leadership

The Accounting Officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and Performance Management

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**

1. 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.
2. The departments should ensure that staff from all affected units is provided with the necessary training to alleviate any uncertainties with respect to the development of the portfolio of evidence.
3. Managers responsible for their respective sub-programme reporting should be held accountable for the reporting requirements against the relevant target.
4. 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**

To request detailed information from the regional offices.

Evidence comes in large quantities and lies with the regions. The regions will be requested to store the evidence so that AGSA can be able to verify the Evidence

**Auditor’s conclusion**

Management comments were noted and we further reviewed the additional portfolio of evidence has been reviewed and it has been concluded the information submitted for audit is still not valid and also inadequate to support the achievements reported for each indicator, therefore the finding remains. Refer below for details:

Programme 4: Real Estate Management

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance Indicator** | **Quarter 1 (Achievement)** | **Quarter 2 (Achievement)** | **Final Comment** |
| Number of lease agreements reviewed according the rental rate per square metre and escalations | The revised figure for Q1 is 20 | The revised figure for Q2 is 149 | No sound evidence was provided for audit, acceptance of offer letters for leases were submitted however they do not provide evidence of agreements reviewed. It was also confirmed that the achievement is reported for leases renewed instead of lease agreements reviewed. |
| Percentage of leases renewed before expiry date | The revised Q1 figure is 75% | The revised Q1 figure is 89.26% | No sound evidence was provided for audit, acceptance of offer letters for leases were submitted however they do not provide evidence of leases renewed before expiry date. It was further indicated that new lease agreements for renewals will be provided however no evidence is available to establish whether the leases were renewed before expiry date. |
| Percentage of leased accommodation (lease in) provided within agreed time frame | 28% | Not reported on | No sound evidence was provided for audit, acceptance of offer letters for leases were submitted however they do not provide evidence of leased accommodation provided within agreed timeframe. It was further indicated that new lease agreements for renewals will be provided however no evidence is available to establish whether the leased accommodation was provided within agreed timeframe. |
| Percentage of surplus freehold property allocated towards BBBEE | 25% of 300 | 7 New leases | No evidence was provided for audit of the freehold property allocated towards BBBEE. Some lease contracts were submitted however they do not provide evidence that leases were allocated towards BBBEE. |

Programme 6: Facilities Management

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance Indicator** | **Quarter 1 (Achievement)** | **Quarter 2 (Achievement)** | **Final Comment** |
| Number of identified buildings with Facilities Management Contract | 526 buildings with Facilities Management Contracts. | 526 buildings with Facilities Management Contracts. | No evidence was provided for audit |
| Reduction in kilowatt-hour (Kwh) usage achieved on energy consumption | 18 065 380  The Revised figure for Q1 is 74 447 810.3 | Shared savings of 48 706 478 were achieved  The Revised figure for Q2 is 36 002 023.6 | Information submitted does not correspond to information reported. |
| Reduction in kilolitre (Kl) usage achieved on water consumption | 830 355 kl | 3 449 521 water savings achieved  The revised figure for Q2 is 966 887 kl | Evidence submitted corresponds to information reported therefore will be considered for detail testing. |
| Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days | 30% calls managed (logged and completed) | 34% calls managed (logged and completed) | The detailed spreadsheet submitted does not provide evidence that calls were managed within 5 days therefore evidence is still inadequate. |
| Number of work opportunities created through maintenance programmes (DPW & EPWP) | 1 915  The revised figure for Q1 is now 1 058 | The revise figure for Q2 is now 1 039 | Inadequate evidence was submitted, a clear listing of work opportunities was not submitted therefore documents submitted (contracts and IDs) cannot be linked to information reported. |

1. **Programme 3: Construction Project Management: Indicators not verifiable and targets not measurable**

**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 interim 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 3: Construction project management

|  |  |  |  |
| --- | --- | --- | --- |
| **Performance Indicator** | **Quarter 1 (achievement)** | **Quarter 2 (achievement)** | **Comments** |
| Number of work opportunities created through construction projects (EPWP and other) | 3841 | 1262 | Difficult to calculate total 3841 as the evidence provided includes list of beneficiaries which are not visible and no evidence provided for quarter 2. |
| Number of projects completed within agreed construction period | 23 | 25 | The 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). |
| Number of projects completed within approved budget | 23 | 24 | Expenditure report/progress payment reports were provided, a list of projects reported needs to be provided. |
| Number of projects in the current WCS project list cleared | 45 | 33 | Site Hand Over Certificates were provided,(a list of projects reported needs to be provided. |
| Percentage of construction contracts allocated towards BBBEE | 23% | 38% | BBBEE certificates provided no evidence of how the % was determined and no confirmation that contracts were allocated to the submitted BBBEE certificates. Therefore additional evidence that needs to be provided is List of projects awarded for BBBEEE & evidence that the contracts were awarded to these BBBEE. |

The department does not have controls in place to ensure that actual achievements reported in the quarterly 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.

Impact of the finding:

* Non-compliance with the National Treasury Framework for managing performance information.
* The reported information as contained in the quarterly report may not be valid and accurate therefore the actual achievements may be overstated and inaccurate.
* This could result in material misstatements which could lead to a qualification of the relevant programme.

**Internal control deficiency**

Leadership

The Accounting Officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and Performance Management

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 report is supported by adequate portfolio of evidence.

The departments should ensure that staff from all affected units is provided with the necessary training to alleviate any uncertainties with respect to the development of the portfolio of evidence.

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

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 that the figures per quarter are correct and that clear POEs will be provided

Name: Lwazi Mahlangu

Rank: Chief Director

Date: 2016/03/16

**Auditor’s conclusion**

Management comment was noted however no additional portfolio of evidence for the reported result was submitted, therefore this finding remains unresolved.

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**

Awaiting management response

**Auditor’s response**

Awaiting management 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**

Evaluating management comments

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**

Awaiting management response

**Auditor response**

Awaiting management 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**

Management comment was noted, the finding will be resolved once the updated Annual reported is submitted for audit.

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.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **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 | The department manages its facilities through term contracts. Term scontracts cover services including Emergency repairs, Day to Day maintenance and Scheduled maintenance. These contracts may reference to  groups of facilities, sites, areas and districts covering multiple buildings and facilities. Included in some of the term contracts will be the maintenance of specific equipment like lifts in multiple buildings. |
| 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 | The target for energy savings for 2015/16 was set based on the fact the DPW at the time had only five regions with Shared Energy Savings Contracts in place. The target was based on a projected ten percent (10%) increment on previous savings achieved by the five regions for 2014/15. The target was set lower for the five regions as opposed to setting a target for all 11 regions.  Due to more buildings being fitted with energy savings interventions reported by the Pretoria and Cape Town regions, which form part of the five regions, energy savings performance exceeded the projected 10% increment for the 2015/16 financial year. |
| 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 | Due to the increase in the number of buildings that are covered by facilities management contracts, a higher proportion of work has subsequently been awarded to BBBEE contractors. |

**Auditor’s conclusion**

Management comments were noted however management has only responded to one programme (facilities management), and no additional supporting documents were provided for the proposed reasons to be included in the annual report therefore the finding is not resolved and will be reported in the management report.

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 |
|
|
| 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 |
|
|
| 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 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **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 |
|
|
|
| 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. |
|
|

**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**

Management comments was noted relating to facilities management however no additional information was provided to support the reasons for deviations and no formal response was received for the other two programmes , therefore this finding remains unresolved and it will be reported in the management report.

**ANNEXURE B: OTHER IMPORTANT MATTERS**

Movable assets

# Property, Plant and Equipment – Understatement of disclosures

**Audit finding**

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

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

The following differences were identified when reconciling the total of net book value as per the asset register to the annual financial statements per category of assets for the period ending 30 September 2015.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Asset Register** | **Financial Statements** | **Difference** |
| **PPE- movable Assets** |  |  |  |
| Furniture and office equipment | 68 374 259,60 | 69 496 000,00 | 1 121 740,40 |
| Computer Equipment | 166 627 166,93 | 165 833 000,00 | 794 166,93 |
| Other Machinery and Equipment | 35 707 193,78 | 46 100 000,00 | 10 392 806,22 |
| **Intangible assets** |  |  |  |
| Computer software | 6 455 868,00 | 10 911 000,00 | 4 455 132,00 |

The impact of the finding:

a) Non-compliance with Section 40 of the PFMA.

b) Property, Plant and Equipment might be misstated.

**Internal control deficiency**

The finding occurred as a result of the following

Interim financial statements are not properly reviewed to ensure that asset register agrees to the amount disclosed in the interim financial statement.

Based on the aforementioned the matter is as a result of the following internal control deficiencies:

Financial and Performance Management

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

**Recommendation**

The department should ensure that the interim financial statements are properly reviewed to ensure that amounts disclosed under Property, plant and equipment note are accurate and agrees to the asset register.

**Management response**

Management is am not fully in agreement with the finding for the following reasons set out in the schedule below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Asset Register** | **Financial Statements** | **Difference** | **Explained diffs** | **Reason** | **unexplained diffs** |
| **PPE- movable Assets** | |  |  |  |  |  |
| Furniture and office equipment | 68 374 260 | 69 496 000 | -1 121 740 | -711 769 | Account 3224 to be mapped to Computer equipment , to be unmapped from Furniture on Caseware. (A) | -409 971 |
| Computer Equipment | 166 627 167 | 165 833 000 | 794 167 | 711 769 | 82 398 |
| Other Machinery and Equipment | 35 707 194 | 46 100 000 | -10 392 806 | -10 485 615 | Assets recognised as a result of finance leases. (B) | 92 809 |
|  |  |  |  |  |  |  |
| **Intangible assets** | |  |  |  |  |  |
| Computer software | 6 455 868 | 10 911 000 | 4 455 132 | 4 455 132 | The Working paper is correct and the AFS is incorrect. This is due to an Exco decision which resulted in the de-recognition of IEWorks as an intangible asset. ( C ) | - |
|  |  |  |  |  |  |  |
|  |  | Total | -6 265 248 | -6 030 483 |  | -234 765 |

Name: HD Abrahams

Position: DD: Financial Reporting

Date: 2016-01-28

**Auditor’s conclusion**

Management comment received, and cognisance is taken of the fact that management agrees with some of the matters raised. Follow up will be performed once the final asset register is received.

Expenditure

1. **Expenditure: Payment not made within 30 Days**

**Audit findings**

PFMA section 38(1) (f) states that the accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Section 38(1)(f) of the PFMA states that the accounting officermust settle all contractual obligations and pay all money owing, including inter-governmental claims, within the prescribed or agreed period.

Treasury Regulation 8.2.3states that unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgement

Instructions note number 34 of National Treasury dated 30 November 2011require that the accounting officer’s responsibility [in terms of section 38(1) (f)] to settle all contractual obligations and to pay all money owing, including intergovernmental claims, within the prescribed (30 days) or agreed period is hereby re-iterated*.*

Within thirty days (30) days from the date of this Instruction Note, all departments are required to have in place systems (processes and procedures) that will enable the tracking of each invoice received from the various service providers.

The system referred to in paragraph above may either be manual or electronic in nature and such a system must also be able to track progress with the processing of each invoice.

At any given time, such a system must be able to provide information related to the date on which an invoice was received, the date on which it was paid and the time period between the date of receipt and the date of payment, if the invoice was indeed paid.

The accuracy of information must be confirmed by signature of the department’s accounting officer prior to its submission to the National Treasury.

During the testing of expenditure it was noted that the following payment was not made within 30 days from the date of receipt of the invoice.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Payment number** | **Supplier name** | **Invoice number** | **Total amount of payment** | **Payment date** | **Invoice receive date** | **Time lapse** |
| 1. | 939775 | Kanyisa Cleaning Projects | Invoice 2015/1142 | 13 383,44 | 08-Sept-15 | 08-Aug-15 | 31 |
| 2. | ZAPNV1509S1003129698 | City of CPT | 112070337 | 181 160.91 | 29-Sep-15 | 28-Aug-15 | 32 |
| 3. | ZAPNV1509S1003129698 | City Of CPT | 111640257 | 1110351.32 | 29-Sep-15 | 28-Aug-15 | 32 |
| 4. | ZAPNV1509S1003129698 | City Of CPT | 112228987 | 6281560.90 | 29-Sep-15 | 28-Aug-15 | 32 |
| 5. | ZAPNV1509S1003129360 | City Of CPT | 112257663 | 518 821.63 | 28-Sep-15 | 26-Aug-15 | 33 |
| 6. | ZAPNV1509S1003129360 | City Of CPT | 112228733 | 592 491.39 | 28-Sep-15 | 28-Aug-15 | 31 |
| 7. | ZAPNV1509S1003129363 | City Of CPT | 370000180016 | 250.25 | 28-Sep-15 | 04-Aug-15 | 55 |
| 8. | ZAPNV1509S1003129363 | City Of CPT | 370000670063 | 5.60 | 28-Sep-15 | 04-Aug-15 | 55 |

This will result in non-compliance with laws and regulations

* + Non-compliance with Section 38 of the Public Finance Management Act
  + Non-compliance with Treasury Regulations 8.2.3
  + Non-compliance with Instruction Note 34 of National Treasury

Possible fruitless expenditure can occur as suppliers could charge interest on long outstanding invoices.

**Internal control deficiency**

Leadership

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Financial and Performance Management

The department did not effectively review and monitor compliance with applicable laws and regulations

**Recommendation**

Amounts owing to suppliers should be monitored on a regular basis to enable the entity to pay amounts outstanding on time, thereby avoid paying interest and penalties which will be regarded as fruitless and wasteful expenditure. This can be done through the review and updating of the order register on a regular basis to ensure that all payments are made to the suppliers within the acceptable timeframes.

Unit heads should ensure that there is minimum delay between the time they receive invoices and the time they submit the invoices to the finance division.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

Sections responsible for payment to suppliers and the Transaction Processing Unit (finance section) should ensure that payments are captured and processed timely to ensure compliance with laws and regulations.

A tracking register should be implemented to track invoices from date of receipt and the movement of the invoices through the various divisional heads until ultimate payment date, to identify where the delays in approval are actually experienced. The register should also include comments where delays are experienced which will assist the department in noting valid explanations for delays or just inefficiencies in the approval process.

**Management response**

Audit finding is acknowledged. Delays in payments are experienced due to capacity challenges. In some cases investigations must be conducted to ensure correctness of the invoices more specifically for municipal services. The invoice tracking system has been implemented to track long outstanding invoices.

Name: N Kani

Position: D: Fin & SCM

Date: 09/03/2016

**Auditor’s conclusion**

Management are in agreement with the finding and thus the finding remains and will be included in the management letter.

Leases

1. **Operating lease revenue and expenditure – Duplicate property included in AFS schedule**

**Audit finding**

Public Finance Management Act section 40(1)(a) and (b) states that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with the norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

Generally Recognized Accounting Practice 1, paragraph 17, 18 and 19(b) states the following:

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

18 An entity whose financial statements comply with Standards of GRAP shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Standards of GRAP unless they comply with all the requirements of Standards of GRAP.

19 In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity to present

information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information;”

During the audit of Operating leases Revenue/Expenditure, we identified duplicate property codes for a single lease file number in our sample as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Region** | **Prop Code** | **File number** | **AFS Closing Balance - 31 March 2016 OPERATING LEASE EXPENSE** |
| Johannesburg | 302798 | 6109/4918 | 4 304 604.66 |
| Johannesburg | 312806 | 6109/4918 | 4 304 604.66 |

The amount of R 4 304 604.66 has been recorded twice in the financial statement. As per inspected of the MDB, we noted that both property codes have identical date (i.e. File number, rental amount, Escalation, lease start date, Lease end date, etc.).

Per the inspection of the lease agreement provided (file number: 6109/4918), the lease agreement does not relate to 2 separate properties.

As per inspection of the PMIS data submitted, only property code 302798 is contained therein.

Reason for the deviation:

1. Duplicate capturing of lease agreement
2. AFS supporting schedule data used to prepare the financial statements is not accurate.
3. The review of the schedules submitted for audit was not adequate.

Impact of the Deviation:

* Overstatement of Operating lease expenses by R 4 304 604.66
* Overstatement of Revenue-Accommodation charges-leasehold by R 4 304 604.66
* Overstatement of Accrued expenses-leases by R 6 305 835.95
* Overstatement of Operating lease liability by R 232 074.40
* Overstatement of disclosed amount-less than 1 year by R 4 517 310.98
* Overstatement of disclosed amount-1-5 years by R 378 085.13

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

Financial statements should be prepared in line with the requirements of the financial reporting framework and should be free of any misstatements, this can be done by ensuring that schedules supporting the financial statement figures are reviewed and signed off by a relevant delegated official. All identified differences must be addressed before financial statements are issued.

Frequent reconciliations between schedules supporting the AFS and the lease agreement should be performed and differences followed-up and resolved.

**Management response**

We are in agreement with the finding. The population will be reviewed to ensure no leases are duplicated in different property codes

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 23 June 2016

**Auditor’s conclusion**

Management comment noted and cognisance is taken of the fact that management agrees with the finding. The finding will remain and be reported in the management report.

1. **Operating lease revenue and expenditure – Misstatements**

**Audit finding**

Public Finance Management Act section 40(1)(a) and (b) states that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with the norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

Generally Recognized Accounting Practice 1, paragraph 17, 18 and 19(b) states the following:

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

18 An entity whose financial statements comply with Standards of GRAP shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Standards of GRAP unless they comply with all the requirements of Standards of GRAP.

19 In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity to present

information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information;”

During the audit of Operating leases Revenue/Expenditure the following issue was identified:

Differences were identified between amounts disclosed in the annual financial statements for revenue and expenditure as per the schedule to the AFS, and the amount recalculated using the lease agreement. This was as a result of inputs (lease term, operating cost, initial amount and escalation rates) differing between the schedule to the AFS and the actual lease agreement. The differences identified as a result of this finding are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **File no.** | **Property Code** | **Region** | **Straight lined amount as per schedule to the AFS** | **Recalculated straight-lined amount** | **Difference** |
|
| 1 | 6538/5858 | 305460 | Cape Town | 2 006 955 | 1 840 127 | 166 829 |
| 2 | 6 109/4967 | 307640 | Johannesburg | 16 938 775 | 17 730 465 | (791 690) |
| 3 | 6109/4968 | 307367 | Johannesburg | 631 871 | 669 401 | (37 531) |
| 4 | 6029-3913 | 123 | Pretoria | 14 582 285 | 12 738 346 | 1 843 939 |
| 5 | 6029-6662 | 304406 | Pretoria | 11 289 623 | 9 199 707 | 2 089 916 |
| 6 | 6029-6925 | 320748 | Pretoria | 613 152 | 4 021 578 | (3 408 425) |
| 7 | 6029-5589 | 167647 | Pretoria | 3 505 557 | 8 487 133 | (4 981 576) |
| 8 | 6029-6703 | 306391 | Pretoria | 13 100 170 | 12 984 731 | 115 439 |
| 9 | 6029-6752 | 307789 | Pretoria | 7 732 671 | 6 971 723 | 760 948 |
| 10 | 6029-6952 | 322799 | Pretoria | 48 324 600 | 47 880 000 | 444 600 |
| 11 | 6029-6765 | 311376 | Pretoria | 1 197 771 | 2 457 764 | (1 259 993) |
| 12 | 6029-6895 | 317236 | Pretoria | 6 082 885 | 6 048 596 | 34 288 |
| 13 | 6029-6931 | 320890 | Pretoria | 86 420 | 1 026 258 | (939 838) |
| 14 | 6029-6926 | 322295 | Pretoria | 4 3 16 758 | 4 016 422 | 300 337 |
| 15 | 6029-6932 | 321488 | Pretoria | 1 476 275 | 881 529 | 594 746 |
| 16 | 6029/1377 | 41 | Pretoria | 9 569 604 | 9586 920.81 | (17 316.66) |
| 17 | 6026-1447 | 322177 | Polokwane | 908 843 | 1 181 631 | (272 788) |
| 18 | 6043-0192 | 162776 | Nelspruit | 1 827 795 | 2 767 865 | (940 070) |
| **TOTAL** | | | | | | **(6 298 185)** |

Reason for the deviation

* Differences identified are largely due to the different cash flows between the lease agreement and the schedule supporting the financial statements.
* AFS supporting schedule data used to prepare the financial statements is not accurate.
* The review of the schedules submitted for audit was not adequate.

Impact of the Deviation

Revenue effect

* + - Accommodation charge – leasehold inter-governmental is understated.
    - Operating lease asset is understated

Expenditure effect

* + - Operating lease expenditure is understated.
    - Operating lease expenditure is understated

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

Financial statements should be prepared in line with the requirements of the financial reporting framework and should be free of any misstatements, this can be done by ensuring that schedules supporting the financial statement figures are reviewed and signed off by a relevant delegated official. All identified differences must be addressed before financial statements are issued.

Frequent reconciliations between schedules supporting the AFS and the lease agreement should be performed and differences followed-up and resolved.

**Management response**

Management is not in agreement with the finding, please refer to the below table with the difference according to management. Attached is a detailed annexure with calculations.

| **No.** | **File no.** | **Property Code** | **Region** | **Straight lined amount as per schedule to the AFS** | **Recalculated straight-lined amount** | **Difference** |
| --- | --- | --- | --- | --- | --- | --- |
|
| 1 | 6538/5858 | 305460 | Cape Town | 2 006 955 | 1 840 127 | 166 828 |
| 2 | 6 109/4967 | 307640 | Johannesburg | 16 938 775 | 16 468 164 | 470 611 |
| 3 | 6109/4968 | 307367 | Johannesburg | 631 871 | 669 401 | (37 531) |
| 4 | 6029-3913 | 123 | Pretoria | 14 582 285 | 14 582 285 | - |
| 5 | 6029-6662 | 304406 | Pretoria | 11 289 623 | 11 289 623 | - |
| 6 | 6029-6925 | 320748 | Pretoria | 613 152 | 614 951 | (1 798) |
| 7 | 6029-5589 | 167647 | Pretoria | 3 505 557 | 3 505 557 | - |
| 8 | 6029-6703 | 306391 | Pretoria | 13 100 170 | 13 007 650 | 92 519 |
| 9 | 6029-6752 | 307789 | Pretoria | 7 732 671 | 7 397 288 | 335 382 |
| 10 | 6029-6952 | 322799 | Pretoria | 48 324 600 | 48 324 600 | - |
| 11 | 6029-6765 | 311376 | Pretoria | 1 197 771 | 1 197 771 | - |
| 12 | 6029-6895 | 317236 | Pretoria | 6 082 885 | 6 082 885 | - |
| 13 | 6029-6931 | 320890  321486 | Pretoria | 1 000 694 | 1 026 258 | (25 563) |
| 14 | 6029-6926 | 322295 | Pretoria | 4 316 758 | 4 328 486 | (11 728) |
| 15 | 6029-6932 | 321488 | Pretoria | 1 476 275 | 807 850 | 668 425 |
| 16 | 6029/1377 | 41 | Pretoria | 9 569 604 | 9 569 604 | - |
| 17 | 6026-1447 | 322177 | Polokwane | 908 843 | 1 181 631 | (272 788) |
| 18 | 6043-0192 | 162776 | Nelspruit | 1 827 795 | 2 245 287 | (417 493) |
| **TOTAL** | | | | | | **966 865.58** |

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 29 June 2016

**Auditor’s conclusion**

Management comments noted. Further discussions were held with management to clarify calculations and subsequent to this engagement the following differences remain:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Prop Code** | **Straight lined amount as per schedule to the AFS** | **Recalculated straight-lined amount** | **Differences** |
| Cape Town | 305460 | 2 006 955 | 1 840 127 | 166 828 |
| Johannesburg | 307640 | 16 938 775 | 17 202 658 | -263 883 |
| Johannesburg | 307367 | 631 871 | 669 401 | -37 530 |
| Pretoria | 320748 | 7 732 671 | 7 709 167 | 23 504 |
| Pretoria | 307789 | 1 000 695 | 1 026 258 | -25 563 |
| Pretoria | 320890  321486 | 4 316 758 | 4 328 725 | -11 967 |
| Pretoria | 322295 | 9 569 604 | 9 587 008.76 | -17 405 |
| Pretoria | 41 | 908 843 | 1 181 631 | -272 788 |
| Polokwane | 322177 | 1 476 275 | 857 526 | 618 749 |
| Nelspruit | 162776 | 1 827 795 | 2 245 287 | -417 492 |
| **TOTAL** | | | | **-237 548** |

1. **Leasehold Accruals – Misstatements**

**Audit finding**

Public Finance Management Act section 40(1)(a) and (b) states that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with the norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

Generally Recognized Accounting Practice 1, paragraph 17, 18 and 19(b) states the following:

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

18 An entity whose financial statements comply with Standards of GRAP shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Standards of GRAP unless they comply with all the requirements of Standards of GRAP.

19 In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity to present

information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information;”

During the audit of lease accruals the following differences were identified:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Property code** | **Region** | **Accrual as per AGSA's Recalculation** | **Accrual as per the client's schedule supporting the AFS** | **Difference** |
| 1 | 297968 | Pretoria | (40 004) | (2 759 864) | (2 799 868) |
| 2 | 306391 | Pretoria | 3 911 543 | (4 026 981) | (115 438) |
| 3 | 307351 | Pretoria | 3 111 986 | (3 000 465) | 111 520 |
| 4 | 322799 | Pretoria | 12 843 880 | (13 288 480) | -444 600 |
| 5 | 305206 | Johannesburg | 2 656 690 | (2 301 643) | 355 047 |
| 6 | 312386 | Cape Town | 597 460 | (729 558) | (132 098) |
| 7 | 297463 | uMtata | 409 274 | (1 586 807) | (1 177 533) |
|  |  |  |  |  | **(4 202 969)** |

In the absence of a functioning accounting system, the schedules required to account for transactions in accordance with GRAP are prepared on manual Excel spreadsheets, resulting in significantly less controls over the data captured therein.

The review of the schedules submitted for audit purposes was not adequate.

This will result in the following:

1. *Accruals effect* 
   * 1. Accruals are overstated
     2. There is a consequential impact on operating lease expense and retained earnings.
2. *Receivables effect*
   * 1. Revenue Accrual is overstated
     2. There is a consequential impact on accommodation charges: leasehold and retained earnings.

**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**

Financial statements should be prepared in line with the requirements of the financial reporting framework and should be free of any misstatements , this can be done by ensuring that schedules supporting the financial statement figures are reviewed and signed off by a relevant delegated official. All identified differences must be addressed before financial statements are issued.

Reconciliations between schedules supporting the AFS and the lease agreement should be performed and differences resolved and followed-up.

**Management response**

Management is not in agreement with the finding, please refer to the below table with the difference according to management. Attached is a detailed annexure with calculations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Property code** | **Region** | **Accrual as per management’s Recalculation** | **Accrual as per the client's schedule supporting the AFS** | **Difference** |
| 1 | 297968 | Pretoria | (40 003.53) | (2 759 864) | (2 799 867.52) |
|  | 298907 | Pretoria | 4 268 498.02 | (1 468 630.50) | 2 799 867.52 |
| 2 | 306391 | Pretoria | 4 324 478.50 | (4 026 981) | 297 497.88 |
| 3 | 307351 | Pretoria | 2 964 535.28 | (3 000 465) | (35 930.01) |
| 4 | 322799 | Pretoria | 13 288 479.70 | (13 288 480) | - |
| 5 | 305206 | Johannesburg | 2 656 690.02 | (2 301 643) | 355 047.21 |
| 6 | 312386 | Cape Town | (13 512.39) | (729 558) | (743 070.64) |
| 7 | 297463 | uMtata | 87 108.63 | (1 586 807) | (1 499 698.61) |
|  |  |  |  |  | **1 173 713.35** |

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 29 June 2016

**Auditor’s conclusion**

Management comments noted. Further discussions were held with management to clarify calculations and subsequent to this engagement the following differences remain:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Property code** | **Region** | **Accrual as per AGSA's Recalculation** | **Accrual as per the client's schedule supporting the AFS** | **Difference** |
| 2 | 306391 | Pretoria | (4 092 685.87) | -4 026 981 | -65 705 |
| 3 | 307351 | Pretoria | (3 111 985.51) | -3 000 465 | -111 521 |
| 5 | 305206 | Johannesburg | -2 656 690 | -2 301 643 | -355 047 |
| 7 | 297463 | uMtata | 87 105.40 | -1 586 807 | 1 673 912 |
|  |  |  |  |  | **1 141 640** |

1. **Operating leases commitments: Misstatements identified**

**Audit finding**

Public Finance Management Act section 40(1)(a) and (b) states that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with the norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

Public Finance Management Act section 40(1)(a), and 40(1)(b) of the PFMA states that the accounting officer for a department, trading entity or constitutional institution must prepare financial statements for each financial year in accordance with generally recognized accounting practice;

Generally Recognised Accounting Policy 1, paragraph 19(b) states that the fair presentation requires an entity to present information including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information.

Generally Recognised Accounting Policy 13, paragraph 42 states the following:

Lessees shall, in addition to meeting the requirements of the Standard of GRAP on Financial Instruments, make the following disclosures for operating leases:

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

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years

During the audit of Operating leases we noted the following:

As per our inspection of project file no. H6319/94 for Sanelly Trading we confirmed that the lease contract was signed on 24 March 2016, however this was not included in the operating lease schedules supporting the annual financial statements (AFS).

Although the lease has not commenced, the entity is committed to the future lease payments from the day the contract was signed. The commitment is however not disclosed on the commitments schedule supporting AFS.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Region** | **File no** | **Lessor** | **Operating lease commitments as per AFS**  **R** | **Operating lease commitments as per AGSA Recalculations**  **R** | **Difference**  **R** |
| 1 | Durban | H6319/94 | Sanelly Trading and Projects | 0 | R 4 955 375.89 | (R 4 955 375.89) |

This will result in understatement of Operating lease commitments

**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 schedules supporting capital commitments the financial statements should be reviewed for accuracy and completeness by senior management prior to submission for audit.

**Management response**

Management is partially in agreement with the finding, please refer to the below table with the difference according to management. Attached is a detailed annexure with calculations.

As indicated by the AG the lease has not yet commenced, the communication from the landlord indicates that it will take them approximately 8 months to complete the building (December 2016). The lease had not yet commenced and was not uploaded onto PMIS, however it was signed on 30 March 2016 and thus should be included in the commitments.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | File no | Consultant/contractor | Operating lease commitments as per AFS  R | Operating lease commitments as per PMTE Recalculations  R | Difference  R |
| 1 | H6319/94 | Sanelly Trading and Projects | 0 | R 4 845 842.41 | (R 4 845 842.41) |

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 07 May 2016

**Auditor’s conclusion**

Management comments noted and cognisance is taken of the fact that management is in agreement with the finding. Further discussions were held with management to clarify calculations and subsequent to this engagement the following differences have been confirmed and will be reported in the management report:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | File no | Consultant/contractor | Operating lease commitments as per AFS  R | Operating lease commitments as per PMTE Recalculations  R | Difference  R |
| 1 | H6319/94 | Sanelly Trading and Projects | 0 | R 4 845 842.41 | (R 4 845 842.41) |

1. **Operating lease Prepayments and Impairments – Misstatements**

**Audit Finding**

Public Finance Management Act section 40(1)(a) and (b) states that the accounting officer for a department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with the norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice

Generally Recognized Accounting Practice 1, paragraph 17, 18 and 19(b) states the following:

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

18 An entity whose financial statements comply with Standards of GRAP shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Standards of GRAP unless they comply with all the requirements of Standards of GRAP.

19 In virtually all circumstances, a fair presentation is achieved by compliance with applicable Standards of GRAP. A fair presentation also requires an entity to present

information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information;”

During the audit of Operating leases Prepayments, the following issue was identified:

Differences were identified between amounts disclosed in the annual financial statements for Prepayments as per the schedule to the AFS, and the amount recalculated using the lease agreement:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Property code** | **Recalculated Prepayments** | **Prepayments as per AFS Schedule** | **Differences** |
| Pretoria | 50 | 633 166.41 | 396 926.00 | 236 239.66 |
| Pretoria | 138570 | 2 148 727.42 | 385 163.49 | 2 533 890.92 |
| Pretoria | 304406 | 10 033 930.79 | 2 630 161.94 | 7 403 768.85 |
| Pretoria | 311289 | 1 123 860.00 | 1 119 166.67 | 4 693.33 |
| Pretoria | 312646 | 3 310 623.96 | 1 176 799.52 | 2 133 824.44 |
| Pretoria | 320748 | 3 083 828.57 | 353 169.87 | 3 436 998.45 |
| Durban | 317985 | 4 775 235.06 | 1 992 942.15 | 2 782 292.91 |
| Durban | 318255 | 3 525 129.53 | 1 694 358.26 | 1 830 771.27 |
| Mmabatho | 310486 | 6 196 258.04 | 224 697.09 | 6 420 955.13 |
| Cape Town | 303789 | 1 253 195.47 | 469 391.21 | 1 722 586.68 |
| Port Elizabeth | 311020 | 759 445.88 | 252 685.20 | 506 760.68 |
| Bloemfontein | 221779 | 3 908 038.20 | 775 013.25 | 3 133 024.95 |
| Polokane | 184 | 284 013.94 | 9 327 652.93 | 9 043 638.99 |
| Nelspruit | 162776 | 1 544 992.21 | 501 394.85 | 2 046 387.06 |

Differences were identified between amounts disclosed in the annual financial statements for Impairment amounts as per the schedule to the AFS, and the amount recalculated using the lease agreement:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Property code** | **Recalculated Prepayments** | **Prepayments as per AFS Schedule** | **Differences** |
| Pretoria | 50 | 633 166.41 | 396 926.75 | R 236 239.66 |
| Pretoria | 138570 | - | 385 163.49 | R 385 163.49 |
| Pretoria | 304406 | 9 223 835.16 | 1 820 066.31 | R 7 403 768.85 |
| Pretoria | 311289 | 1 114 473.33 | 1 109 780.00 | R 4 693.33 |
| Pretoria | 312646 | 2 784 698.15 | 650 873.71 | R 2 133 824.44 |
| Pretoria | 320748 | - | 353 169.87 | R 353 169.87 |
| Durban | 317985 | 5 132 205.27 | 1 635 971.95 | R 3 496 233.32 |
| Durban | 318255 | 3 163 120.39 | 1 332 349.12 | R 1 830 771.27 |
| Cape Town | 303789 | - | 469 391.21 | R 469 391.21 |
| Port Elizabeth | 311020 | 539 770.36 | 33 009.68 | R 506 760.68 |
| Bloemfontein | 221779 | 3 492 992.19 | 415 046.01 | R 3 077 946.19 |
| Polokane | 184 | 234 674.03 | 118 607.77 | R 116 066.26 |
| Nelspruit | 162776 | - | 162 776.00 | R 162 776.00 |

Differences identified are due to the different cash flows between the lease agreement and the schedule supporting the financial statements. The AFS supporting schedule data used to prepare the financial statements is not accurate.

The review of the schedules submitted for audit was not adequate.

This will result in:

*Revenue effect*

Operating lease Prepayment is understated.

*Expenditure effect*

Operating lease impairment is understated.

**Internal control deficiency**

Financial and performance management

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

**Recommendation**

Financial statements should be prepared in line with the requirements of the financial reporting framework and should be free of any misstatements, this can be done by ensuring that schedules supporting the financial statement figures are reviewed and signed off by a relevant delegated official. All identified differences must be addressed before financial statements are issued.

Frequent reconciliations between schedules supporting the AFS and the lease agreement should be performed and differences followed-up and resolved.

**Management response**

Management is not in agreement with the finding, please refer to the below table with the difference according to management. Attached is a detailed annexure with calculations.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Property code** | **Recalculated Prepayments** | **Prepayments as per AFS Schedule** | **Differences** |
| Pretoria | 50 | 227 492.57 | 396 926.00 | (169 434.18) |
| Pretoria | 138570 | 382 682.41 | 385 163.49 | (2 481.08) |
| Pretoria | 304406 | 2 630 161.94 | 2 630 161.94 | (0.00) |
| Pretoria | 311289 | 1 123 860.00 | 1 119 166.67 | 4 693.33 |
| Pretoria | 312646 | 1 176 799.52 | 1 176 799.52 | (0.00) |
| Pretoria | 320748 | 351 371.77 | 353 169.87 | (1 798.10) |
| Durban | 317985 | 713 119.51 | 1 992 942.15 | (1 279 822.64) |
| Durban | 318255 | 628 042.25 | 1 694 358.26 | (1 066 316.01) |
| Mmabatho | 310486 | 8 509.82 | 224 697.09 | (216 187.27) |
| Cape Town | 303789 | 34 769.78 | 469 391.21 | (434 621.43) |
| Port Elizabeth | 311020 | 245 730.45 | 252 685.20 | (6 954.75) |
| Bloemfontein | 221779 | 233 118.21 | 775 013.25 | (541 895.04) |
| Polokane | 184 | 167 947.68 | 167 947.68 | - |
| Nelspruit | 162776 | (42 922.34) | 501 394.85 | (544 317.19) |
|  |  |  |  | **(4 259 134.36)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Property code** | **Recalculated Impairment** | **Impairments as per AFS Schedule** | **Differences** |
| Pretoria | 50 | 227 492.57 | 396 926.75 | (169 434.18) |
| Pretoria | 138570 | 382 682.41 | 385 163.49 | (2 481.08) |
| Pretoria | 304406 | 1 820 066.31 | 1 820 066.31 | (0.00) |
| Pretoria | 311289 | 1 109 780.00 | 1 109 780.00 | - |
| Pretoria | 312646 | 650 873.71 | 650 873.71 | 0.00 |
| Pretoria | 320748 | 351 371.77 | 353 169.87 | (1 798.10) |
| Durban | 317985 | 356 149.30 | 1 635 971.95 | (1 279 822.65) |
| Durban | 318255 | 266 033.11 | 1 332 349.12 | (1 066 316.01) |
| Cape Town | 303789 | 34 769.78 | 469 391.21 | (434 621.43) |
| Port Elizabeth | 311020 | 18 479.91 | 33 009.68 | (14 529.77) |
| Bloemfontein | 221779 | - | 415 046.01 | (415 046.01) |
| Polokane | 184 | 118 607.77 | 118 607.77 | 0.00 |
| Nelspruit | 162776 | - | 162 776.00 | (501 394.85) |
|  |  |  |  | **(3 885 444.08)** |

Name: Andre Joubert

Position: Director: Revenue and Debt Management

Date: 30 June 2016

**Auditor’s conclusion**

Management’s comments noted, after further calculations taking into account management’s calculations, subsequent to this engagement, the following differences remain.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Region | Property codes | Prepayment/(Accrual) [Recalculated] | Prepayment/(Accrual) As per AFS | Differences |
| Pretoria | 50 | (856 886.22) | 396 926.75 | R (1 253 812.97) |
| Pretoria | 138570 | 382 682.43 | 385 163.49 | R (2 481.06) |
| Pretoria | 304406 | 2 630 161.94 | 2 630 161.94 | R (0.00) |
| Pretoria | 311289 | 1 123 860.00 | 1 119 166.67 | R 4 693.33 |
| Pretoria | 312646 | 1 176 799.77 | 1 176 799.52 | R 0.25 |
| Pretoria | 320748 | 351 371.76 | 353 169.87 | R (1 798.11) |
| Durban | 317985 | 2 039 676.16 | 1 992 942.15 | R 46 734.01 |
| Durban | 318255 | 1 694 358.18 | 1 694 358.26 | R (0.08) |
| MMABATHO | 310486 | (493 545.10) | 224 697.09 | R (718 242.19) |
| Cape Town | 303789 | - | 469 391.21 | R (469 391.21) |
| Port Elizabeth | 311020 | (1 846 394.91) | 252 685.20 | R (2 099 080.11) |
| Bloemfontein | 221779 | 775 013.25 | 775 013.25 | R - |
| Polokwane | 184 | 167 947.68 | 167 947.68 | R - |
| Nelspruit | 162776 | (5 286 728.76) | 501 394.85 | R (5 788 123.61) |
|  |  |  |  | R (10 281 501.76) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Region | Property codes | (Impairments Recalculated) | Impairment loss (As per AFS) | Differences |
| Pretoria | 50 | - | (396 926.75) | R 396 926.75 |
| Pretoria | 138570 | (382 682.43) | (385 163.49) | R 2 481.06 |
| Pretoria | 304406 | (1 820 066.31) | (1 820 066.31) | R 0.00 |
| Pretoria | 311289 | (1 114 473.33) | (1 109 780.00) | R (4 693.33) |
| Pretoria | 312646 | (650 873.96) | (650 873.71) | R (0.25) |
| Pretoria | 320748 | (351 371.76) | (353 169.87) | R 1 798.11 |
| Durban | 317985 | 1 682 705.95 | (1 635 971.95) | R 46 734.01 |
| Durban | 318255 | (1 332 349.04) | (1 332 349.12) | R 0.08 |
| MMABATHO | 310486 | - |  | R - |
| Cape Town | 303789 | (469 391.21) | (469 391.21) | R - |
| Port Elizabeth | 311020 | - | (33 009.68) | R 33 009.68 |
| Bloemfontein | 221779 | (415 046.01) | (415 046.01) | R (0.00) |
| Polokwane | 184 | (118 607.77) | (118 607.77) | R 0.00 |
| Nelspruit | 162776 | - | 162 776.00 | R (162 776.00) |
|  |  |  |  | R 313 480.11 |

Contingent assets and liabilities

1. **Contingent liabilities: differences**

**Audit finding**

Section 40 of the PFMA requires that the accounting officer for a department, trading entity or constitutional institutionmust keep full and proper records of the financial affairs of the department, trading entity or constitutional institution in accordance with any prescribed norms and standards and must prepare financial statements for each financial year in accordance with generally recognized accounting practice.

GRAP 14 defines events after reporting date as follows:

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

* those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
* those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

In terms of GRAP 19 par .17 “Provisions, Contingent Liabilities and Contingent Assets”

A contingent Liability is defined as a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;

The confirmation letter from the below mentioned state attorney is different than the amount included in the schedule supporting the financial statements:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **State Attorney** | **Matter** | **State attorney reference** | **DPW Reference number** | **State Attorney’s remark** | **Amount disclosed** | **Differences** |
| J.J.H. Opperman | Jurie van Vuuren/Mnister of Public Works | Ref: 106/2014/00998/P8 | MH37/2014 (LS) | Matter finalised when arbitration award was made on 20 April 2016 | 2 138 738.83 | 2 138 738.83 |
| Mr. Meshack Makhubela | Hereford Irrigation Board | Ref:4710/2012/Z52 Salu Building | MMM/EL/H0001 | Matter finalised when department of water and sanitation granted subsidy | 308 205.23 | 308 205.23 |

This will result in overstatement of contingent liabilities

**Internal control deficiency**

Financial and performance management

Management does not implement controls over daily and monthly processing and reconciling of transactions contingent liabilities are incorrectly recorded.

**Recommendations**

Management should review the schedule supporting the contingent liabilities for correct classification and accuracy thereof.

**Management response**

Management response not due yet

**Auditor’s conclusion**

Management response not due yet

1. **Contingent Assets: differences**

**Audit finding**

Public Finance Management Act section 38 (1)(a)(i) and (1)(c)(ii) states that the accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The following discrepancies were identified:

The amounts per the supporting documents don’t agree to the schedule supporting the financial statements

|  |  |  |  |
| --- | --- | --- | --- |
| **DPW reference number** | **Amount per supporting document** | **Amount per financial statement** | **Difference** |
| BN14/2015(case no.11107/14) | R 155 324 516.49 | 155 000 000.00 | 324 516.49 |

This will result in under-statement of contingent assets

**Internal control deficiency**

## Financial and performance management

Management does not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

Management should review the schedule supporting the contingent liabilities for correct classification and accuracy thereof.

**Management response**

Management response not due yet

**Auditor’s conclusion**

Management response not due yet

1. **Contingent liabilities: differences**

**Audit finding**

Public Finance Management Act section 38 (1)(a)(i) and (1)(c)(ii) states that the accounting officer for a department, trading entity or constitutional institution must ensure that that department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The following discrepancies were identified:

The amounts per the supporting documents don’t agree to the schedule supporting the financial statements

|  |  |  |  |
| --- | --- | --- | --- |
| Reference number | Amount per supporting document | Amount per schedule | Differences |
| 1/2/3/2/2 (2015) | 971 100.00 | 900 000.00 | 71 100.00 |
| MMM/EL/H0001 | 608 102.75 | 308 205.23 | 299 897.52 |
| Total |  |  | 370 997.52 |

**Risk**

Understatement of contingent Liabilities

**Internal control deficiency**

## Financial and performance management

Management does not implement controls over daily and monthly processing and reconciling of transactions

**Recommendation**

Management should review the schedule supporting the contingent liabilities for correct classification and accuracy thereof.

**Management response**

Management response not due yet

**Auditor’s conclusion**

Management response not due yet

Procurement and contract management

# Procurement: competitive bidding – TP Construction / MC Bavu Construction JV

**Audit finding**

PPR 6 (2) states that points must be awarded to a tenderer for attaining the B-BBEE status level of contributor for procurement equal or above R1 million as follows:

|  |  |
| --- | --- |
| B-BBEE Level | Points |
| 1 | 10 |
| 2 | 9 |
| 3 | 8 |
| 4 | 5 |
| 5 | 4 |
| 6 | 3 |
| 7 | 2 |
| 8 | 1 |

PPR 6 (3) states that a maximum of 10 points may be allocated in accordance with PPR 6 (2)

Preferential Procurement Regulation paragraph 6 (1) states that the 90/10 preference point system for acquisition of services, works or goods with a Rand value above R1 million. The following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000 (all applicable taxes included):

|  |  |
| --- | --- |
| |  | | --- | | Ps= 90  1-  Pt – Pmin | |
| Pmin |

Ps     = Points scored for comparative price of tender or offer under consideration;

Pt      = Comparative price of tender or offer under consideration; and

Pmin = Comparative price of lowest acceptable tender or offer.

PPR 4 states that the points scored by a tenderer in respect of the level of B-BBEE contribution must be added to the points scored for price.

PPR 7 states that contract may be awarded to a tenderer that did not score the highest total

number of points.

CIDB Regulations paragraph 24 preparation for construction procurement, states that every client or employer who is inviting calls for expression of interest or soliciting competitive tenders without first calling for expressions of interest in the construction industry must publish that invitation to tender on the CIDB’s website

CIDB Regulation 17 states that the winning contractor's grading must be suitable for the value of contract:

|  |  |
| --- | --- |
| **(A) - Grading** | **(B) - Tender value = R** |
| 1 | 200 000 |
| 2 | 650 000 |
| 3 | 2 000 000 |
| 4 | 4 000 000 |
| 5 | 6 500 000 |
| 6 | 13 000 000 |
| 7 | 40 000 000 |
| 8 | 130 000 000 |
| 9 | No limit |

CIDB Regulation 25(5) states if the contract was awarded to a contractor who is registered at a grade lower than the required grade the margin with which the tenderer exceeded his/her tender value range is reasonable (not more than 15%) and the award of the contract does not pose undue risk to the organ of state (there must be risk assessment done). Joint ventures are eligible to submit tender offers or expressions of interest if every member of the joint venture is a registered contractor in terms of these Regulations and the lead partner has a contractor grading designation in the class of construction works under consideration and possesses the required recognition status; and the category of registration of the joint venture, determined in accordance with sub-regulation (6) is equal to or higher than the category of registration specified in accordance with sub-regulation (3).

CIDB Regulation 25(7A) states that an organ of state may subject to its procurement policy and notwithstanding  anything to the contrary contained in this regulation, evaluate and award a tender offer from a tenderer who is registered but who tendered outside of his or her tender value range as contemplated in regulation 17, provided that –

* the margin with which the tenderer exceeded his or her tender value range contemplated in regulation 17, is reasonable;
* the award of the contract does not pose undue risk to the organ of state;
* the tender offer in all other aspects comply with these Regulations; and
* the report referred to in regulation 21 or 38(5)and (6), indicates whether this sub-regulation was applied in the award of the tender.

In terms of CIDB inform PN 3, 15% excess is considered reasonable.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractor** | **WCS** | **Tender No** | **Amount** |
| TP Construction/MC Bavu Construction JV | WCS 046766 | MTHMTFR/14 | 18 915 164.11 |

Unsuccessful bidders

The unsuccessful bidders’ documentation was not provided and therefore we are unable to determine if the preference points and price points were correctly calculated and awarded for the unsuccessful bidder. We are consequently further unable to determine if the bid was awarded to the bidder who scored the highest points.

CIDB requirements:

There was no proof in the file that the tender was advertised on CIDB website and also within 10 working days and before the closing date for tenders and at least 5 working days before any compulsory site meeting

CIDB grading:

The contract stipulated the grading as per advert is 7GB. TP Construction is registered on 6GB PE, 2GB PE, 4CE PE, while MC Bavu Construction is registered on 4GB PE and 1CE PE. Therefore the contractor is not registered in the required grade. Furthermore the contractor is a joint venture and we are unable to determine that the category of registration of the joint venture, is equal to or higher than the category of registration specified in the invitation to tender.

This will result in non-compliance with laws and regulations resulting in irregular expenditure.

**Internal control deficiency**

## Leadership

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Financial and performance management

Non-compliance with Treasury Regulation 16A3.2 (d)(vi) which will result proper processes not being followed and the desired objectives will not be achieved.

Non-compliance with laws and regulations resulting in irregular and fruitless and wasteful expenditure.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

Should the expenditure be regarded as irregular expenditure, the department must follow up and take appropriate steps against the applicable individuals as section 38(i)(h)(iii) of the PFMA states that "the Accounting Officer for the department must take effective appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who— makes or permits an unauthorised expenditure, irregular expenditure or fruitless and  wasteful expenditure".

**Management response**

Management is not in agreement with findings:

The unsuccessful bidders’ documentation was submitted to AGSA on 16/01/2016 received by Ms Doreen Thaga. (Find attached register)

The tender was advertised on CIDB website (find attached copy of advert extracted from CIDB website)

CIDB grading calculator was used and grade 7GP was recommended for the joint venture (find attached copy CIDB calculator)

Name: Raymond Naidoo

Position: CD: SCM

Date: 04/03/2016

**Auditor’s conclusion**

Unsuccessful bidders

The unsuccessful bidders’ documentation was provided and this matter is resolved regarding the non-submission of the unsuccessful bidders. However upon inspection of the unsuccessful bidders’ tender documentation we noted that there are indicators of possible bid rigging: one of the losing bidders (Intellec Construction) is related to the winning bidder (TP Construction) and they both also share the same address. Management must investigate the matter to determine if this was fraudulent and whether there was bid rigging present during the tender process

CIDB requirements:

Proof was subsequently provided and this matter is resolved

CIDB grading:

Proof was subsequently provided and this matter is resolved

1. **Procurement: contract management**

**Audit finding**

Treasury Regulations 16A6.3 (a) and (e) states that the accounting officer or accounting authority must ensure that bid documentation and the general conditions of a contract are in accordance with

1. the instructions of the National Treasury; or
2. the prescripts of the Construction Industry Development Board, in the case of a bid relating to the construction industry

Practice Note issued by National Treasury on 21 July 2010, Paragraph 3.2.2 states that accounting officers and accounting authorities are required to ensure that all bids are in future invited in terms of the revised General Conditions of Contract

CIDB Act section 22(3) states that all construction contracts above the prescribed tender value must be recorded in the register.

CIDB regulation 18(1A), (1) states that an employer must, within 21 working days from the date on which a contractor’s offer to perform a construction works contract is accepted in writing by the employer, apply on the approved form to the CIDB for the registration of every project, consisting of a single construction works contract, of which the contract value exceeds a value determined by the Minister by notice in the Gazette.

The following discrepancies were identified:

The 2004 version of the General Conditions of the Contract (GCC) was used and not the revised GCC as per the Practice Note issued in July 2010 for the following supplier

|  |  |  |
| --- | --- | --- |
| **Contractor** | **WCS number** | **Award** |
| Ruwacon | WCS 050196 | 12 113 063.27 |

No evidence was provided to indicate that the following construction contracts were registered with the CIDB within 21 days from the date the contractor offered to perform a construction works contract, which was accepted in writing by the entity:

|  |  |  |
| --- | --- | --- |
| **Contractor** | **WCS number** | **Award** |
| Shaicon Tendering Services | WCS 053327 | 2 656 580.76 |
| South Sound Civils / Exeo Kholeka Civil JV | WCS 047888 | 67 980 345.48 |

This will result in non-compliance with laws and regulations.

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

The trading entity should update their General Condition of Contract with the latest version issued by the National Treasury and ensure the latest version is used in all contracts concluded going forward.

Management should ensure that evidence is retained to indicate that construction contracts are registered with the CIDB within 21 days of written acceptance of the contractor by the entity.

**Management response**

We are not in agreement with the finding for the following reasons:

The contracts listed in the findings table shows that the cases referred to pertain to projects in the construction industry.  That being so, Treasury Regulation 16A6.3(a)(ii) is of particular relevance as it stipulates that documentation and conditions of contract are to be in accordance with the prescripts of the CIDB.

According to CIDB Standards for Uniformity (SfU), the Department is permitted to use only accredited contract formats.  In such regard the CIDB has accredited the following: NEC, FIDIC, GCC and JBCC.  In relation to the latter two formats, it must be stated that the CIDB accredited the JBCC 2005 and -2007 versions and for GCC it accredited the-2004 and- 2010 versions.

It is very important to appreciate that the GCC referred to in the Treasury Note is not the same as the GCC referred to by CIDB and therefore not the same as used in the projects listed in the tables above.

The Department rightfully used the GCC2004 on construction projects until 2013 at which stage it moved to the use of the GCC2010.

For ease of reference, the GCC2004 and -2010, as accredited by the CIDB, are “off-the-shelf” contract formats, both compiled by the South African Institution of Civil Engineering (SAICE).  The GCC referred to in the Practice note of July 2010 is a contract format compiled by National Treasury and is mostly used for general goods and services.

The reason why the Department only moved over to the GCC2010 version in 2013 is to be found in a delay occasioned in attempting to obtain Ministerial approval in respect of certain indemnities extended to the contractor.

Name: Papi Mekwa

Position: Chief Director

Date: 11 March 2016

**Auditor’s conclusion**

Management comments noted, however the audit finding remains.

Regarding management response relating to the GCC, the latest version of General Conditions of the Contract 2010 was only implemented late in September 2013 and the Practice Note issued by National Treasury on 21 July 2010, Paragraph 3.2.2 states that accounting officers and accounting authorities are required to ensure that all bids are in future invited in terms of the revised General Conditions of Contract.

1. **Procurement: competitive bidding - Water Skills (Pty) Ltd**

**Audit finding**

Instruction note 32 section 3.2.1 states that within ten (10) working days after the closure of any advertised competitive bid, institutions must publish on its website the names of all bidders that submitted bids in relation to that particular advertisement. Where practical, institutions must also publish the total price and the preferences claimed by the respective bidders. The information should remain on the website for at least thirty (30) days. The details of the winning bidder, contract number and description, preference claimed and contract price must also be published in the government tender bulleting.

The following discrepancies were identified:

No evidence was provided that the names of all bidders who submitted bids in relation to the advertisement were published on the website within ten (10) working days after the closure of the advertised bid and remained on the website for a minimum of thirty (30) days. Furthermore no evidence could be obtained that the details of the winning bidder was published in the government tender bulleting.

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Name** | **Tender number** | **Award** |
| 1 | Water Skills (Pty) Ltd | PT14/053 | 7 662 749.40 |

This will result in non-compliance with laws and regulations.

**Internal control deficiency**

## Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendation**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

A compliance checklist should be completed and reviewed before the payment is approved to ensure that the correct procurement process was followed.

**Management response**

Management is in agreement with the finding.

From the 31 May 2015 from tender PT15/00 we have implemented this Instruction note 32 section 3.2.1. Therefore, on all tenders prior to the said date, we would not be able to provide evidence although we were advertising the names of the bidders in the website as required. (See attached screen-print from website with some PTA tenders.

Name: M Dondashe

Position: Regional manager

Date: 15/03/2016

**Auditor’s conclusion**

Management is in agreement with findings and the finding remains

1. **Procurement: competitive bidding – Pam Golding Consulting (Pty) Ltd**

**Audit Finding**

Practice Note 6 of 2007 states that the accounting officer must report within ten (10) working days to the relevant treasury and Auditor-General, all cases where goods and services above the value of R1 million (Vat Included) which were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the names of the suppliers, the amounts involved and the reasons for dispensing with the prescribed competitive bidding processes.

The following discrepancies were identified:

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier name** | **Tender description** | **Tender no.** | **Award** |
| Pam Golding Consulting (Pty) Ltd | Purchase of four ministerial houses | HP15/018 | R20 200 000,00 |

Deviation reported to the Auditor-General:

There was no proof on file that the deviation was reported to the AGSA within 10 working days

The tenders were awarded based on a deviation from tender process, however AGSA was not notified within 10 working days resulting non-compliance.

This will result in non-compliance with laws and regulations.

**Internal control deficiency**

Leadership

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

The entity does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Although management did develop action plans to address internal control deficiencies, they were not effective to prevent irregular expenditure as well as non-compliance with applicable laws and regulations.

Financial and performance management

Reviewing and monitoring of compliance with applicable laws and regulations is insufficient and not properly monitored.

**Recommendations**

Management should ensure that the entity complies with all applicable laws and regulations.

Management must develop policies and procedures to ensure compliance with all prescribed laws and regulations.

**Management response**

Awaiting management response

**Auditor’s response**

Awaiting management response

Sector

1. **Sector – Management of Accommodation: Information requested could not be provided**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following information was requested as per RFI 38M dated 05 July 2016 but to date the information has not been provided for audit purposes:

1. Maintenance strategy / plan (including budget)
2. Maintenance backlogs listing (including budget)
3. Process of how it is differentiated day to day/ unplanned maintenance and backlog maintenance.
4. Budget
   1. Is the budget split to make provision for day to day/ unplanned maintenance and backlog maintenance?
   2. If it is split, a description of how record is kept of what expenditure has been incurred to address the backlog and what formed part of the day to day/ unplanned maintenance?
   3. Actual spend on maintenance backlogs vs budget as per the maintenance plan.
5. Leased buildings:
   1. Inspection plan for leased buildings
   2. List of inspections conducted in current year to determine utilisation
   3. Inspection certificates / reports
   4. Listing of vacant / underutilised leased buildings and the period of being vacant / under utilised
6. Owned buildings (Note information relating to Cape town and Bloemfontein was provided)
   1. Inspection plan for owned buildings
   2. List of inspections conducted in current year to determine utilisation and condition
   3. Inspection certificates / reports
   4. Listing of vacant / underutilised leased buildings and the period of being vacant / under utilised

More findings of this nature could have a limitation of scope impact on the audit report.

**Internal control deficiency**

## Financial and performance management

Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe.

**Recommendation**

The required information should be provided as a matter of urgency.

**Management response**

Awaiting management response

**Auditor’s response**

Awaiting management response

1. **Sector- Project Management: Information requested could not be provided**

**Audit finding**

Chapter 5 of the Public Finance Management Act (PFMA) section 40(1)(a) stipulates that the accounting officer for a department must keep full and proper records of the financial affairs of the department in accordance with any prescribed norms and standards, section 41 furthermore states that an accounting officer of a department must submit to the relevant Treasury or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as the relevant Treasury or the Auditor-General may require.

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

1. Any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
2. any of the assets of or under the control of the auditee; or
3. any staff member or representative of the auditee.

The following information relating to the projects below were requested as per RFI 39M dated 05 July 2016 but to date the information has not been provided for audit purposes:

|  |  |
| --- | --- |
| 3 | South Sound Civils / Exeo Kholeka Civil JV (WCS 047888) |

1. Professional qualifications of the site inspector and project manager
2. Proof of registration of site inspector or project manager with the South African Council for Project and Construction Management Profession (SACPCMP) as required by section 18(2) of the PCMP Act.
3. Actual expenditure incurred until 31 March 2016 per project (as accounted for in SAGE) and WCS report.
4. The circumstances under which additional costs were incurred where additional costs were incurred due to project not being completed on time

|  |  |
| --- | --- |
| 1 | Ruwacon (WCS 050196) |
| 2 | Shaicon Tendering Services (WCS 053327) |

1. Actual expenditure incurred until 31 March 2016 per project (as accounted for in SAGE) and WCS report.
2. The circumstances under which additional costs were incurred where additional costs were incurred due to project not being completed on time

More findings of this nature could have a limitation of scope impact on the audit report.

**Internal control deficiency**

## Financial and performance management

Proper record keeping and record management could be a problem within the department as requested information was not available and supplied within a reasonable timeframe.

**Recommendation**

The required information should be provided as a matter of urgency.

**Management response**

Management response received on 15 July 2016

**Auditor’s response**

Assessing management comments

1. **Sector: Statistics South Africa head office in Salvokop**

# Objectives of the audit

The purpose of the audit was to find out the reasons for delays experienced to complete the bulk electrical infrastructure installations within the contract period and cost overruns as expenditure to date exceeds the approved contract amounts. The auditor was also expected to assess, among others, the following:

* the quality of the work done on site in relation to the specifications
* assessment of the contract management aspects of the transaction in relation to acceptable industry practices
* assess whether value for money was received
* installations complied with applicable legislation and industry norms and standards

# Methodology

In order to meet its objectives, the methodology included, a briefing session on the scope of the audit, interview with Project Manager from DPW, site visit and review of the relevant documentation.

1. **Review of the Documentation**

The documents reviewed include design drawings, site progress minutes, communication between the contractor and Department of Works.

1. **Interviews**

 An interview and project briefing with Project Manager from Department of Public Works was conducted on Monday 13 June 2016

1. **Site Visit**

A site visit was conducted on 17 June to the Stats SA offices in Salvokop, Pretoria. A panel interview with some role players in the project was conducted during and after the site visit.

# Findings: Project Management and Contract Management

# Background and Scope

Bulk electrical infrastructure services were required for the new Statistics South Africa head office in Salvokop, Pretoria. Initially this service was supposed to be performed by Tshwane Municipality, as agreed in a memorandum of agreement between DPW and the municipality. The municipality subsequently indicated that they were no longer in a position to perform this function. The Department of Public Works (DPW) was granted permission to contract with Statistics of South Africa Design and Construction Joint Venture (Stats SA D&C JV) to assist with execution of the works, as they were already on site for construction of the head office building. The Stats-SA D&C JV was appointed by Dipalopalo Concession, the Public Private Partner for the Stats SA project to execute the works.

The contract between DPW and the Stats SA D&C JV was for installation of Bulk Services (Electrical, Storm Water and Sewerage). This report focuses on the project for implementation of the bulk electrical infrastructure for the Stat SA head office precinct.

The DPW appointed an independent Engineer, Driver Group Africa “Driver” to provide technical advice and scrutinise the offer made by Stats SA D&C JV. Their scope also included monitoring of the works to ensure compliance with the relevant regulations and specifications.

# Project Initiation

**Finding**

The Bulk Electrical Infrastructure services was required for the new Stats SA offices in Salvokop. Tshwane Municipality was responsible to provide this service. However, in October 2014, the Municipality indicated that it was not in a position to meet this obligation. This impacted negatively on the planned delivery of the project as the DPW was forced to find alternative means to implement the project to avoid further delays to the project.

Dipalopalo appointed Stats SA D&C JV for the design and construction of bulk infrastructure services, which included electrical. It was made known In November 2014 that the bulk services Works could not be executed as part of the PPP-agreement between Stats SA and Dipalopalo Concession.

Consequently, a contract was put in place between the Department of Public Works and Stats SA D&C JV for design and construction of the bulk infrastructure services.

# Project Initiation

**Finding**

It should be noted that the Municipality was already paid a sum of R 8,329,892 to provide this service to Stats SA. Presumably, the municipality would have appointed a Contractor to perform this function or arrange to reimburse the money if it could not perform the function itself.

The appointment of the Contractor, Stats SA D&C JV seems above board as all the processes were followed and documentation is available to back it. Upon further investigation it was found that the D&C JV indicated that they had prepared preliminary designs for the works in January 2015, yet the final appointment was in May 2015. This indicates they worked under risk almost knowingly that they will be appointed. A question was posed to the Contractor as to why they would take such a risk, they indicated that “it was a norm in the industry to take such risks.”

It should be noted that cost amount for this Contract was R 17,545,909. Included in the costing is an item of electrical direct cost, R13 205 141. This electrical direct cost is for the same activities the Municipality charged an amount of R 8,329,892. The new amount represents about 58% increase of the original municipal cost. The auditor feels this amount is a significant increase that DPW eventually paid for the same item of works by changing contractors. This is a cost that was supposed to be absorbed by the municipality based on the initial agreement.

# Project Expenditure

**Finding**

The total amount spent on this project is R25 118 132. This includes R 8 329 892 initially paid to Tshwane Municipality and R16 025 067 paid to the Stats SA D&C JV to execute the same project.

There was a 58% increase on the cost for direct electrical works by Stats SA D&C JV compared to the amount charged by Tshwane Municipality

# Variation Orders

The original position of the substation was moved to a new site. This change was done during construction. Below are the two Variation Orders (VO’s) that were raised:

* + - Demolition of a partly constructed electrical Substation and relocate to another site. The effect of this was an additional cost.
  + Omit- MV Circuit breakers in Princess Park Primary Substation and two parallel MV Cables to Stats SA. Add MV cable from unused Blennie cable in Kgosi Mampuru Street to Stats SA. The effect of this was a cost reduction,

The net effect of these two VO was an overall cost reduction of R 3,977,268. The Contract amount for the Electrical Bulk Services was adjusted accordingly to a final figure of R 16, 205,067

The effect of the second VO let to a reduced scope of work on the Bulk electrical Services hence the reduction in the cost price.

# Completion and Handover

There was constant communication between the Contractor and Tshwane Municipality with regards to the project. Designs were submitted to the Municipality for approval. The equipment purchased were also in accordance with the Municipality’s specifications. Actom switchgear, which the Municipality recommended, was purchased for the project. Municipality technicians were involved in site acceptance tests and some commissioning test. Equipment settings for protection were provided by the Municipality. According to DPW, the infrastructure will be transferred to the municipality’s asset register as they will be the new custodian responsible for upkeep and maintenance going forward.

Table below indicates key activity dates for the project from start to end

|  |  |
| --- | --- |
| **ACTIVITY** | **Date** |
| DPW paid Tshwane Municipality an amount of R 8 329 892 for implementation of the Bulk Electricity Services | March 2014 |
| Tshwane indicated that they would not meet the obligation | October 2014 |
| DPW took over the contract from the municipality | November 2014 |
| Negotiation for a service provider commenced | March 2015 |
| Stats SA D&C JV appointed for the Electrical Bulk Services | May 2015 |
| Commencement of the project | 1 May 2015 |
| Completion of the project | 30 October 2015 |
| Initial Commissioning Date | October 2015 |
| New Commissioning date | February 2016 |

It is the auditor’s view that the handover was handled properly which ensures that guarantees for the equipment were taken care of. Final as built drawings are available for the Works

# Conclusion

The audit team has established that proper processes and procedures were followed in undertaking the project. The decision by DPW to appoint a consultant to oversee the work by Stats SA D&D JV was beneficial to the project.

An amount of R 8,329,892 was paid to Tshwane Municipality for work not undertaken as agreed and this amount has not been recovered. The final amount paid for the electrical bulk services to Stats SA D&C JV is R 16,788,240. The auditor feels the amount to be significantly higher than what they should have paid had DPW or the municipality went to the market on an open tender.

The technical aspects of the project are commended as there was involvement from both the Stats SA D&C JV and Tshwane Municipality on the project. Handover and guarantees were done properly

Figure 1- 3 illustrate various components of the infrastructure installed on site.

|  |  |
| --- | --- |
| **Figure 1:** Battery Charger | **Figure 1:** Battery Charger |
| **Figure 3:** Switchgear Panels | |

1. **Sector: C-Max**

# Sample Selection

During the audit of infrastructure projects, a sample of four (4) high value projects were selected based on the following

* Delays experienced to complete the projects within the contract period
* Cost overruns as expenditure to date exceeds the contract amounts
* Excessive variation orders and scope creep
* Termination of contract and delays in appointing replacement contractor
* Costs and time implications of the process of replacing contractors

The four projects selected in this regard are:

* Repairs and Upgrade of C-Max Correctional Facility & Re-instatement of the Gallows, Pretoria
* Upgrading of bulk electrical infrastructure for Statistics-South Africa, Salvokop, Pretoria
* Adaptation and Upgrade of the New English Literary Museum, Grahamstown
* Repairs and Upgrade to Standerton Correctional Facility, Standerton

This finding is on the repairs and upgrade of C-Max correctional facility and reinstatement of the Gallows, as implemented by DPW (PMTE) for departments of Corrections Services (DCS) and Arts and Culture (DAC).

# Objectives of the audit

The objective of the audit was for performance auditing to assist with specialist skills to assess and verify, among others, the following:

* Whether planning for the projects was undertaken adequately and effectively
* Whether the strategic need analysis was conducted to inform the for upgrading and construction of these facilities
* Whether a clear and effective procurement strategy was followed as required by the National Treasury
* Whether the projects were executed using acceptable and good project management principles to ensure economic, efficient and effective delivery of the facilities, for realisation of value for money
* Whether the department is following GIAMA’s guidelines to ensure that asset management plans are in place for the facilities

# Findings: Project Management & Contract Administration(C-Max)

BACKGROUND

The initial project scope in 2010 included the following:

* To heighten the current security level to suit the Maximum Security Facility. This necessitated the provision of Central Control Office.
* To increase the numbers of inmate accommodation from 266 to 284, while improving the ventilation and lighting in cell areas, thus necessitating the reconfiguration of the existing structure.
* To decongest and redirect the operational flow from the current same-point access, thus necessitated the need to: new entrance for visitors, provide and reconfigure the vehicular sally point and provide ne admission for inmates.
* To redirect food delivery to a dedicated route to lower smuggling as current route shares with public circulation
* To provide new contact visitation and reconfigure the Non-contact visitation for ease of monitoring.
* To provide new adequate medical facility
* To provide new separate library facility for each wing
* To upgrade the existing services that are in poor state
* To upgrade existing exercise yards and day areas
* To ensure humanitarian incarceration standard are met.

The Gallows were then introduced for reinstatement as additional scope of work. This work came in as a variation order (VO).

The revised project scope (2012) is as follows: [Effects of the Gallows/Monument]

* To relocate the inmate admission to the eastern part of the lower level of the administration building
* To relocate the Central Control room to the eastern part of the upper level of the administration building.
* To reconfigure the administration building to accommodate the relocated Inmate admission, the central control room and the anticipated staff once upgrade is complete.
* The reconfigure the visitation area to allow two open courtyards, one catering for the monument and the other for the C-Max Facility.

This revision was termed Phase 3 while phase 1 & 2 were completed to ensure the Monument (Gallows) could be delivered on the required date. It was found that further works was envisaged due to the conflicting nature of the two facilities (Monument & C-Max) on the same site. The envisaged work were termed phase 4 which included a separate entrance for the monument and exhibition spaces outside the boundary of the facility.

CONTRACT ADMINISTRATION AND COST MANAGEMENT

* 1. Completion Delays and Contract Termination

**Finding:**

It was found that the contract duration was 15 months in in 2011 but, to date

the work has not been completed. Even though the completion date was

revised after approval of extension of time claims, the contractor could

not finish the work, eventually leading to termination of the agreement.

**Root Cause**

Poor scope management and inability to assess the contractor’s ability to

complete the works using project key performance indicators

* 1. Guarantees post contract termination

**Finding:**

There was a lack of commitment by the department to ensure that all risks identified in the projects are mitigated. During the interview with the DPW Project Manager (PM), it was noted that the DPW legal unit has been notified by the PM to recall the guarantees and all related insurances. However, the PM could not confirm whether the recalling of guarantees has been implemented or not.

**Root Cause**

Risk mitigation strategies, including early warning signals should guide project team on what actions to take to minimise risks eminent in the project. Lack of proper administration and record keeping hampers the department’s ability to respond to audit queries raised by the audit team

**Impact**

The audit team found that the department faced a risk of not being able to recover the funds that the contractor is liable for. It was identified from the payments certificates issued and monthly reports that the contractor has been put on penalties for 8 months, with payments certificates reflecting a negative figure that accumulated to -R34 486 569-68. Furthermore, the abandoned construction works that has to be re-done also should be taken into account.

* 1. System used for storing of contractual info (CCS- IRM - BAS)

**Finding**

During the interview the DPW PM has confirmed that the department used CCS system for purposes of management of project information. However, the PM could not be able to demonstrate or share with the audit team as to how CCS functions intertwined with the Infrastructure Reporting Model (IRM) and the Basic Accounting System (BAS) to provide accurate project expenditure reports

**Root Cause**

Poor contract administration processes.

**Impact**

This negatively impacts on the department not being able to report to the National treasury on the accurate financial status of the project. This poses a risk on the department not being able to track financial status. Furthermore it poses a risk on the department not being able to plan for the next steps during the contract period.

* 1. Scope expansion without proper assessment of the contractor’s capacity and ability to execute the works

**Finding**

* DPW’s decision to expand the scope of work impacted on the contractor’s ability to complete the original scope of work. This was confirmed in DPW contract termination report
* DPWs termination report indicated that the contractor’s construction programme had shown inflated completion percentage on some activities that does not present a true reflection of actual progress on site.
* Furthermore, numerous activities such as plasterwork, electrical, air-conditioning and plumbing were behind schedule.

**Root cause**

This was largely as a result of the contractor having insufficient resources on site, as stated in DPW’s termination report.

**Impact**

The termination of the contract placed DPW in a position to secure a replacement contractor. This will result in further delays and additional as some of the works will have to redone.

* 1. DPW’s effect upon the contractor’s performance

**Finding**

* Report number 50, dated January 2015 indicated that DPW played a significant role in hampering the contractor progress on site.
* Payment delays affected the contractor’s cash flow making it difficult to continue with the works on site.
* DPW certified incorrect payments to the contractor and negatively impacted on the delayed rulings on the Extension of Time claims that had been brought forth by contractor.

**Root Cause**

Lack of progress monitoring, cost management and risk mitigation interventions by DPW as this would have helped them to detect and avert project delivery risks using early warning signals

**Impact**

This negatively impacted on the contractor’s cash flow and therefore his performance and ability to deliver the project as scheduled

* 1. Transfer of latent defects obligations to new contractor

**Finding**

* New scope of work for the replacement contractor does not address latent defects that could be experienced emanating from work by the previous contractor

**Root cause**

No proper due diligence was conducted on site to ensure that all works completed was of acceptable quality. This would assure the replacement about the minimum risk in accepting the transfer of risk for work done under the first contract.

**Impact**

This is likely to pose a risk of contractual dispute should the replacement be expected to address any defects that will be identified during or after the contract stage. Such defects are likely to be remediated by the department at additional cost

* 1. Inconsistent project expenditure reports

**Finding 1:**

* There is inconsistency between DPW’s and the project Quantity Surveyor’s (Davis Langdon) financial reports for the same period. It was found from DPW’s updated financial reports that the last time the contractor received payment was 19 May 2014 with an amount of R121 151 617.17 certified to date. However, Davis Langdon (QS) in conjunction with Secelec’s (Principal Agent) updated financial reports stated that R100 315 035.00 was paid to the contractor to date.
* There was a lack of a clearly defined system of storing and reporting on project costing information. The department need to provide clarity on this matter and explain how expenditure reports are submitted and updated on their system.

**Root cause**

Lack of a single project expenditure reporting system.

**Impact**

*This places doubt on the authenticity and integrity of the information that is being provided.*

*Finding 2*

*Financial reporting inconsistency was identified from the latest payment certificate no 45 that Davis Langdon has prepared. The progress final summary page (Figures) does not correspond with the attached sections of the payment report. From the payment document received by the audit team it was established that numbering of payment certificates were incorrect and not consistent.*

*Root cause*

*The department did not demonstrate their ability to monitor and control project expenditure by always maintaining accurate records of payment information.*

*Impact*

*This places doubt on the authenticity and integrity of the information that is being provided. Appropriate project expenditure information is not reported to the client and National Treasury. This could hamper the department’s ability to proactively manage the project budget*

* 1. Inconsistent Payment certificate information

**Finding**

The summary of updated progress payment certified to date by Davis Langdon has been reviewed and the following was identified:

* It has been identified that on 6 February 2014, payment no 50 has been compiled by Davis Langdon but the audit team could not identify the payment from DPW CCS financial report (payment registry).
* According to the financial status report that was found on the CCS system provided by DPW Project Manager, the payment has not been paid out to the contractor.
* Instead, the audit team found a payment certificate that amounted to R4 119 563.61 (Vat Incl.) that was paid out to the contractor on 18 February 2014 and does not reflect on the Davis Langdon updated summary of progress payments.

**Root cause**

Lack of a proper cost management system before payment recommendations received from the Quantity Surveyor are approved by the department

In addition, this means DPW reported to DCS on financial status that the professional Quantity Surveyor was not aware of and has not certified as required by the contract

**Impact**

This places doubt on the authenticity and integrity of the information that is being provided. . This further suggests that DPW finance department is likely to process payments that are not properly validated and issued through the normal contract processes.

* 1. Poorly defined scope of work for Reinstatement of the Gallows

**Finding 1**

* The decision of reinstating the Gallows significantly negatively impacted on project delivery as the contractor did not have the capacity to execute the additional works. This additional work resulted in significant variations to scope; time and costs (re-design fees, extra constructions work, and extended project delivery timeliness).

**Root cause**

The scope of work was poorly defined. No clear guidance from a proper due diligence investigation of the site. The Director of Offender Sport, Recreation, Arts and Culture issued a late statement confirming that the Pretoria Gallows was identified as heritage site and therefore no unauthorised demolitions were to be effected. The instruction was issued while renovations work was in progress. According to DAC, in order to preserve the heritage of the structure (i.e. the gallows, where freedom fighters were incarcerated) demolitions had to be halted.

**Impact**

The change in scope made no provision for the contractor’s increased liability in terms of health and safety plans exposing the site to risk.

**Finding 2**

It was found on the letter dated 16 August 2011 which was addressed to the National Commissioner of DCS that, the contractor was given 2 weeks to complete the Gallows from August 2011. This action was driven by the then envisaged cleansing ceremony to take place. However the project was placed on halt from 3 August 2011 until 23 September 2011 to allow for the ceremony to take place.

**Root cause**

Poor planning and scheduling of the works not taking into consideration key milestone dates critical for delivery of the project

A proper construction programme would have provided an indication of whether or not the dates being communicated by the client were realistic and achievable

**Impact**

This ceremony greatly impacted on to further delays towards the project. Delays have consequently affected the scope, time and costs of the project.

* 1. Extension of time

**Finding**

It was found that the following Extensions of Times (EOT) with costs had been granted to the contractor and are viewed to have undergone a significant financial impact to the practical completion date. And the following are:

1. EOT claim 1 with costs (R367 149.91 Vat Incl.) – Effects of the Gallows area – 05 December 2011
2. EOT claim 2 with costs (R783 253.14 Vat Incl.) – Effects of the Gallows area – 31 January 2012
3. EOT claim 3 with costs (R1 066 483.07 Vat Incl.) – Telkom IT cable discovered running through the new entrance building – 15 June 2012

It was identified that, due to the lack of as built drawings of the existing building as survey was conducted for services but, but such services had not be identified.

1. EOT claim 4 with costs (R4 130 436.48 Vat Incl.) dated 16 January 2014 is identified on payment no. 44 preliminary payment schedule Davis Langdon prepared. However, the audit team was not provided supporting documents of recommendations and approvals.
2. EOT claim 5 with costs (R1 280 193.76 Vat Incl.) dated 2 May 2014 is identified on payment no. 44 preliminary payment schedule Davis Langdon prepared. However, the audit team was not provided supporting documents of recommendation and approval.

**Root cause**

* The introduction of the reinstatement of the Gallows for claim 1 and 2.
* The lack of thorough survey is identified on existing building design status. (Electrical installation due diligence not done)
* The DPW Project Manager failed to provide the audit team for their process.

**Impact**

The decision to reinstate the Gallows as additional scope significantly negatively impacted on project delivery. In addition, it had resulted in significant variations to scope, time and costs.

Furthermore, the change in scope made no provision for the contractor’s increased liability in terms of health and safety plans exposing the site to risk.

* 1. Original Pre-Tender Estimate Vs Replacement Pre-Tender Estimate

**Finding**



With reference to the table above a comparison was conducted between the original pre-tender estimate and the new pre-tender estimate. The table demonstrates the new pre-tender estimate 41% more than the original pre-tender estimate compiled in 2010. The cost expansion is a result of the following

* Price adjustment due to current Rand value (mainly CPAP estimate)
* An assessment has been conducted of the number of new items included in the scope of work
* Abortive costs as a result of planning and other items of work that have to be redone .

**Root cause**

* Termination of the contractor measure that has been undertaken 1 year 7 months ago (January 2015).
* Contract Price Adjustment Provisions (CPAP)
* Abortive costs due to the activities that negatively impacted on the time and scope of the original contract.
* New items that included in the scope to address omissions in the original scope.

**Impact**

The overall effect of the scope creep has negatively affected the delivery of this project, leading to substantial time and cost impacts.

* 1. Occupational Health and Safety

**Finding**

The Occupational Health & Safety (OHS) risk has been increased on site by the gallows project.

**Root cause**

The instruction from DCS to DPW to allow visitations before completion of the project increases the safety risks on site

**Impact**

Visitors were exposed to OHS risk as the Gallows handover did not take into account measures to enhance the contractor’s liability and safety plans.

* 1. Work completed on site versus payment certification.

**Finding**

The audit team review the latest payment certificate no 45 and the following has been paid out to the contractor but was found deteriorating on site:

1. Paintwork – Peeling and cracks
2. Concrete – Cracks
3. Lift – not complete installed and commissioned losing warranty before use
4. Chapel – Dilapidated due to vandalism and water leaks to roofs
5. Electrical generator – not maintained

**Root cause**

The termination of the contract without estimating the extent of the loss as well taking measures to preserve materials already in place.

**Impact**

This will contribute significantly to abortive costs (costs of works deemed as wasted).

***VARIATION ORDERS***

**Finding 1**

It was found that throughout the construction of the C-Max project; seven (6) variation orders (VO) were encountered of which the audit team has identified. 1 of the 6 variation orders was declined (VO no. 5) and reasons for non-approval were valid. However, the project manager only provided 4 of the 6 CCS VO financial reports.

**Root cause**

Scope creep resulting from political (Instructions) influence brought about by the introduction of the Gallows.

**Impact**

The decision to reinstate the Gallows negatively impacted on project delivery. In addition, it had resulted in significant variations to scope; time and costs (re-design fees, extra constructions work due to change of concept). The changes of scope exposed the site to increase health and safety risk.

**Finding 2**

DPW project manager had provided the audit team with variation order financial report from the CCS information system. It was found that 4 of 5 VO CCS financial reports were identified on the CCS system which provides confirmation of funds paid out to the contractor during construction. 2 of 5 VO CCS financial reports were not identified. The 2 of 5 VO financial status was identified letter of approval from DCS.

**Root cause**

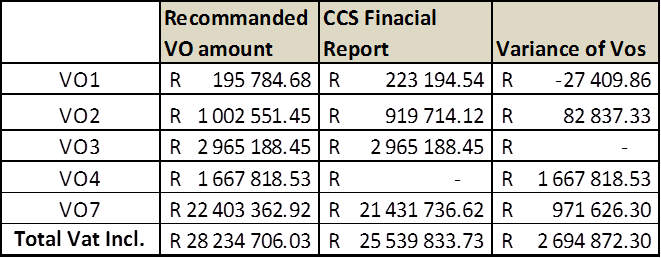
The audit team could not establish the root cause. Involved individuals will elaborate.

**Impact**

The audit team cannot confirm the financial report of the VOs paid out to the contract. VO letter of approvals cannot provide that information. Therefore the CCS financial report that has been provided to the audit team is questioned whether it was updated.

**Finding 3**

It was found that the recommended VO amount reflecting on the letter of recommendation indicates a different figure reflecting on the CCS financial report paid out to contractor. The following was identified on VO 1, 2 and 7.



**Root cause**

Lack of consistency in financial reporting on matters relating to project expenditure

**Impact**

This places doubt on the authenticity and integrity of the information that is being provided. Furthermore, an opinion can be formulated by stating that Davis Langdon and the Principal Agent is not aware of the amount that has been paid out to the contractor because of the payment not in their record.

In addition, this means DPW reported to DCS on financial status that the professional Quantity surveyor was not aware of.

This will also mean DPW finance unit receives unauthentic information

**Finding 4**

The following information was found during the review and analysis of the VOs:



* VO claim 1: Electrical services identified during excavations
* VO claim 2: DCS instruction with a list of items to be completed for the Heritage Event that was envisaged
* VO claim 3: Another DCS instruction for the preparation of the Heritage Event that was envisaged
* VO claim 7: DCS instruction due to the re-design that came in as sketch 2012 (Re-shuffling of initial concept)

**Root cause**

The Director of Sport, Recreation, Arts and Culture’s request mentioned that the Pretoria Gallows was identified as heritage site that situated within the C-Max Correctional Centre were renovations were then in progress. According to DAC the only way the Gallows (where freedom fighters were incarcerated) was to be preserved, the demolitions had to be halted.

**Impact**

The decision to reinstate the Gallows negatively impacted on project delivery. In addition, it had resulted in significant variations to scope; time and costs (re-design fees, extra constructions work due to change of concept). Furthermore, the changes of scope are identified to not have been made provision for in the liability and safety plans of the contractor. The changes of scope exposed the site to risk.

The negative impact that the approval process had played role in was constant DCS scope creep instructions that led to cost overruns the project is currently at.

Furthermore, it was found that the scope creep contributed significantly on exceeding the 20% contract expansion threshold set by National Treasury.

1. ***MAINTENANCE PLANNING***

* Planned handover to the user & custodian

**Finding 1**

It was found that the Gallows had been launched by the minister (Heritage Day Event) - this would imply it was ready for usage by the client/user. However, there are no formal contractual documents that officially declares the appropriate hand-over from DPW to DCS.

It was found during the auditors site visit that, DCS possess the keys to the Gallows as a sign of ownership. The project manager had confirmed that DAC does not have the keys yet, as the official contractual site hand-over / occupancy has not been conducted. It was confirmed on the JBCC building agreement that, the project official handover was not sectional but the entire site.

**Root cause**

Proper contract administration has not been adhered to.

**Impact**

The Gallows not being officially / contractually handed over to has impacted significantly on the maintenance and security of the infrastructure. Vandalism and lack of routine / preventative maintenance results have been identified.

The lack of maintenance to the infrastructure will contribute greatly towards the structural depreciation before expected time. It is therefore necessary to put in measures to mitigate the risk of further deterioration of the building elements.

**Finding 2**

It was found during the auditors sites visit that, the Gallows is not maintained as seen on evidence provided by the pictures indicating the building deteriorating.

The project manager mentioned there have been cases of vandalism that took place. Vandalism identified is the results of the lack of proactive daily security on the premises.

**Root cause**

Proper contract administration has not been adhered to.

**Impact**

The Gallows not being officially / contractually handed over to has impacted significantly on the maintenance and security of the infrastructure. Vandalism and lack of routine / preventative maintenance results have been identified.

The lack of maintenance to the infrastructure will contribute greatly towards the structural depreciation before expected time. It will therefore call out for funds to mitigate on the depreciation.

1. ANALYSIS ON PROJECT PLANNING + RECOMMENDATIONS

The one problem that played a significant role in the state of the project was that a thorough scope definition and proper planning processes where not followed before implementation of the project.

1. ***Project Planning***

Before execution of any project, the department must ensure that the scope of work is clearly defined and agreed to by all key stakeholders. A concept report should be prepared to Identify and address all critical planning inputs for the works, including scope, budget approvals, risk report, statutory approvals and logistical support plan where required.

The department need to prepare a Project Execution Plan (PEP) for approval by all key stakeholders before implementation of the projects. This PEP typically outlines key issues such as project objectives, t anticipated delivery timelines, estimated cost, human resource plan and allocation of roles. .

1. ***Cost Planning***

Adequately defined scope supported by a detailed comprehensive cost plan will eliminate the risk of unnecessary variation orders as a result of scope changes. This will make it easier for project expenditure to be tracked and unnecessary costs to be avoided.

1. ***Scope Control***

Poor scope definitions and scope control invariably leads to delays in project completion as the work will be interrupted by erratic site instructions, consequently leading to cost overruns if not not managed properly. An example of this is the costs incurred due to the Extension of Time claims by the contractor, as a result of scope creep.

1. ***Cost Management***

The department needs to develop a cost management system that will allow for effective tracking of expenditure on single system. Accurate and reliable cost reports need to be produced periodically indicating the status of project expenditure as certified by the project Quantity Surveyors

All of these challenges could have been prevented if the department had planned and implemented this project using the guidelines of the Infrastructure Delivery Management System (IDMS) or a similar system.