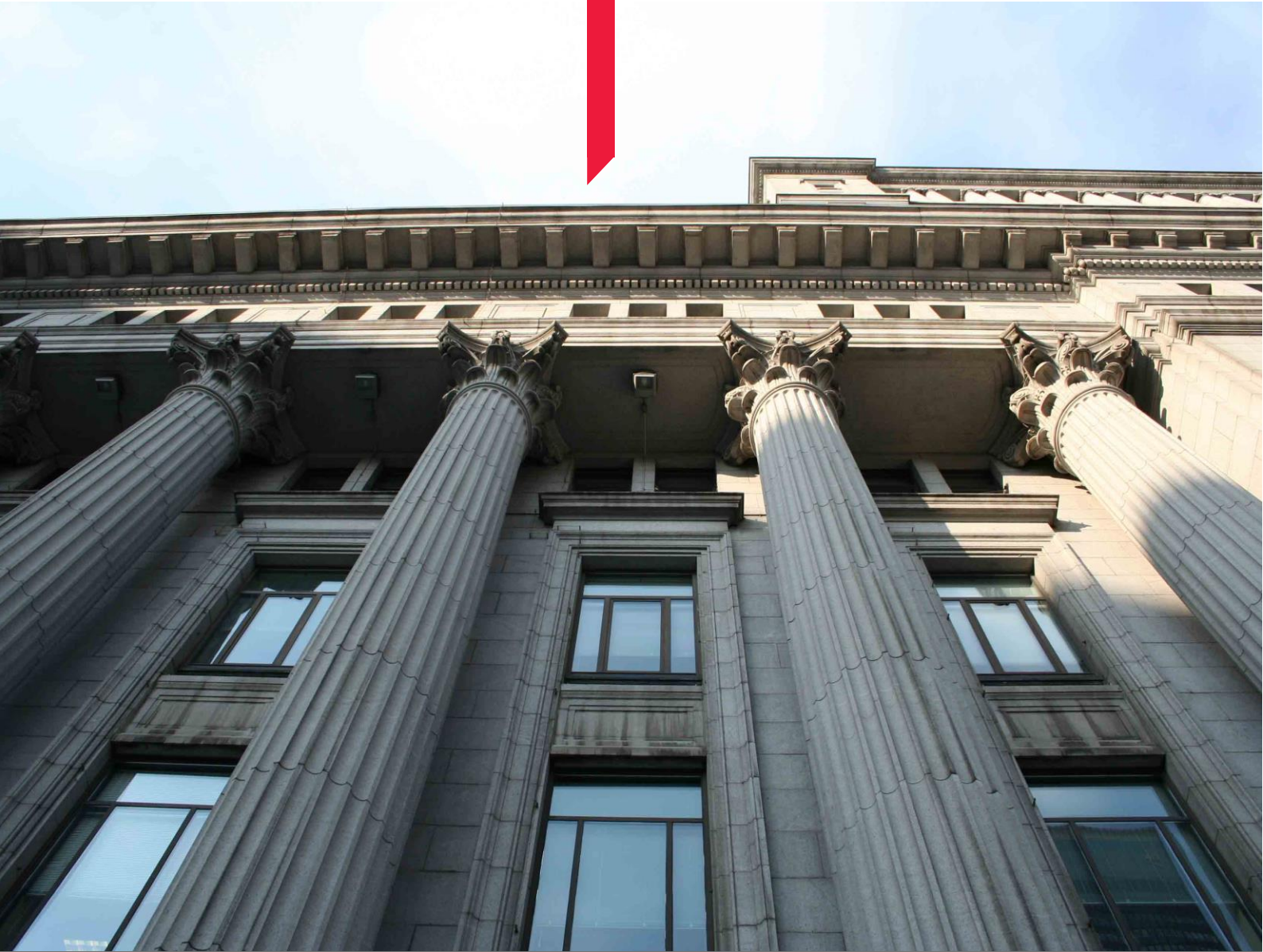




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**DEPARTMENT OF PUBLIC WORKS AND INFRASTRUCTURE
REVIEW OF PARLIAMENT PRESTIGE CONSTRUCTION
PROJECTS PERFORMANCE**

Internal Audit Report

October 2020



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Deputy Director-General	X		
Chief Director: Prestige	X		X
Chief Audit Executive (Department of Public Works and Infrastructure)	X	X	X
Regional Manager: Cape Town (Department of Public Works and Infrastructure)	X	X	X



SECTION I: INTRODUCTION

SECTION I: INTRODUCTION

We are pleased to present our report to the National Department of Public Works and Infrastructure (NDPWI) on the review of project implementation performance for the Prestige Portfolio in Cape Town. This is in accordance with the Terms of Reference (TOR) published under Project Reference Number: HP19/020/001.

Objective of the review

The NDPWI is the custodian of all immovable infrastructure owned by the State in South Africa. The Parliament of South Africa precinct is one of the properties that is owned by the NDPWI. The NDPWI is responsible for all capital and maintenance projects in the Parliamentary precinct in terms of the Government Immovable Asset Management Act (GIAMA) (Act No. 19 of 2007).

The Internal Audit Unit is required to provide assurance to Management and the Audit Committee that all immovable infrastructure, capital and maintenance projects in the Parliamentary precinct are being implemented according to the required regulations and monitored accordingly and to make recommendations where improvements are required for the department to achieve its goals and objectives and to reduce risks to an acceptable level.

Background

In terms of Treasury Regulation 3.2.11, an internal audit function must assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following-

- a) The information system environment;
- b) The reliability and integrity of financial and operational information;
- c) The effectiveness of operations;
- d) Safeguarding of assets; and
- e) Compliance with laws, regulations and controls.

Project Purpose

The purpose of the project was to:

- ▶ perform an independent audit of the selected Prestige projects from stage 4 (design stage) to stage 8 (completion) to address the concerns raised regarding projects that are implemented by the NDPWI in the Parliamentary Precinct; and
- ▶ provide management with reasonable assurance that selected Prestige projects delivered were performed with adequately, effectively and economically.

Scope of Work

The scope of work included the following:

1. Review of technical information and expenditure of selected projects on status 4 (design stage) to status 8 (completion) to reduce capital cost and project failure.
2. Review of controls implemented for the improvement of performance monitoring and construction projects including compliance monitoring (technical) of contracts to meet legislative requirements.
3. Review of portfolio analysis and optimisation.
4. Implementation of Combined Assurance processes, (being ahead of AGSA to prevent negative audit outcomes).

5. Review the measurable plan of action to improve the key areas of concern on:
 - a. time to plan and complete projects;
 - b. project delays;
 - c. quality of workmanship;
 - d. approval of scope changes;
 - e. management of cost overruns and fruitless expenditure;
 - f. project failure prior to design life; and
 - g. non-performing contracts and handover processes - including facility management contracts and lift contracts.
6. Review the overall management of capital and maintenance projects in the Parliamentary precinct focusing on the project methodology, planning, resources, processes and implementation.
7. Review of the controls on a plan on how to bridge the gap between project mode and normal operations.

Confidentiality and disclosure

The report is confidential and has been prepared exclusively for the NDPWI. It should not be used, reproduced or circulated for any purpose, in its entirety or in part, without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

The report details those control weaknesses that came to our attention during the review. The responsibility for the prevention and detection of errors, irregularities and fraud rests with management. We have planned our review so that we have a reasonable expectation of detecting weaknesses and deficiencies in the internal control environment.

Our conclusions are based on a review framework utilised along with the associated procedures performed and were limited to the scope of the review, and samples selected. The review did not include testing of all transactions and occurrences.

Limitations - Scope & Context of this Report

We have performed our work based on the scope provided to us by the Department of Public Works and Infrastructure:

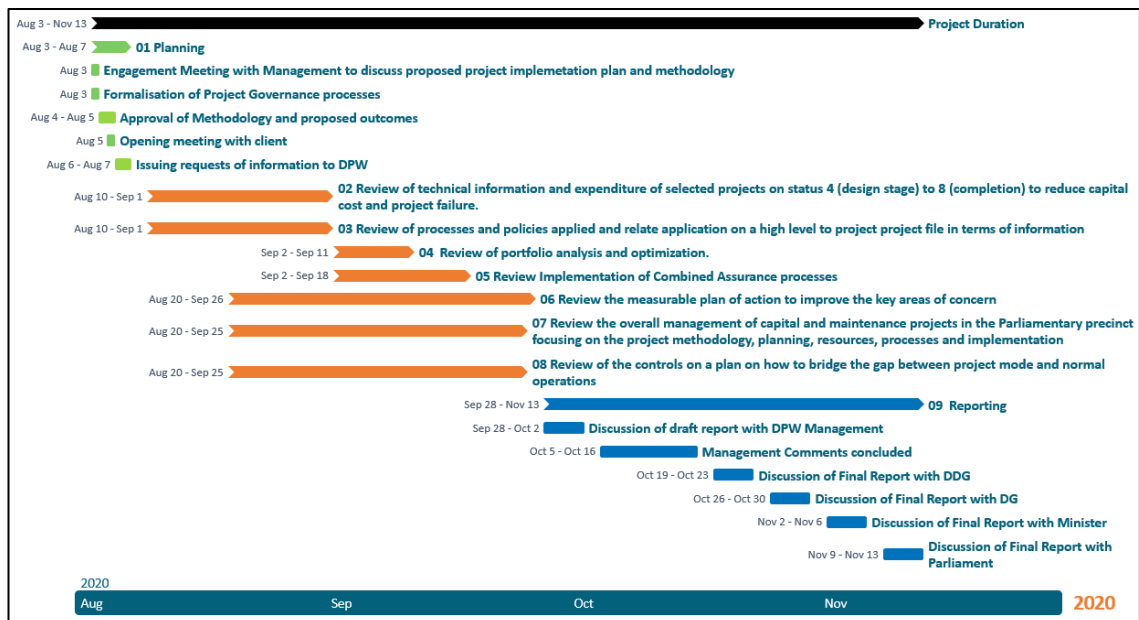
- ▶ The references to a statutory provision include any subordinate legislation made from time to time under that provision and references to a statutory provision include that provision as from time to time modified or re-enacted as far as such modification or re-enactment applies, or is capable of applying, to the facts and/or evidence sourced in this investigation.
- ▶ The headings in the report were used for the sake of convenience only. Any documentation referred to in the report, includes reports, data and records. Reference to a service provider also include reference to a supplier.
- ▶ All amounts in the report are inclusive of value added tax (VAT) unless stated otherwise.
- ▶ The scope of work was limited to a review and analysis of the face value of the documentation, information provided and limited consultations relevant to the sourcing of information and documentation undertaken in pursuit of our mandate. The verification was conducted on the face value of the reports provided from the WCS system by the Department.
- ▶ If additional or new documentation or information is brought to our attention subsequent to the date of the report, which affect its findings, conclusions and/or recommendations, we reserve the right to amend and qualify same accordingly.

- ▶ The procedures performed did not constitute an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant National Standards or Practices). Our audit was performed in terms of the IIA Standards.
- ▶ Although the work performed incorporated our understanding of the law as it stands, we do not express an opinion on the interpretation of the law or the legal effect of the facts or the guilt or innocence of any person or party, but have merely stated the facts as they have come to our attention. Consequently, we do not express an audit or legal opinion thereon.
- ▶ Although we have to the best of our professional ability, examined documentation made available to us, the information contained in this report is subject to the following:
 - > The conformity to the original documentation of all copied documents submitted to us has been assumed;
 - > Except in instances where we deemed it necessary, we have not verified the authenticity or validity/veracity of the documentation made available to us; and
 - > Where we have not had sight of a document following a request, we were not able to verify its existence and assumed that a record thereof has not been kept.
- ▶ We will not accept any responsibility should this final draft report be disclosed or released to any party, other than the intended recipient/s. We do not accept any liability for any loss, either directly or indirectly, suffered by any third party arising from the fulfilment of the mandate.
- ▶ The following was excluded from our mandate:
 - > A review of the supply chain management processes utilised in the identification, planning, awarding and contracting of the specific service providers and facility managers appointed.
 - > Planning cycle of the audit conducted. (This refers to the overall planning and the *ad hoc* request from Parliament with regards to the process. We have planned our review in terms of the specific scope that was pre-determined.)
- ▶ This engagement emanates from an *ad hoc* request by Parliament for an independent review of specific projects. The scope and sample of this engagement was concluded by Parliament, with the assistance of the NDPWI Internal Audit unit. We did not provide any input in, nor determine the following:
 - > Scope and Objectives of the audit;
 - > Risk assessment and prioritisation of audit areas;
 - > Sample selection; or
 - > Audit period.
- ▶ Although the initial sample included thirteen (13) projects, one (1) of the selected sample is currently under investigation by the Special Investigating Unit (SIU), and was excluded from the project with management consent.

► The engagement was limited to the following timelines as defined by NDPWI:

No	Activity	Start date	End date
1.	Pre-Planning: Scope of Work and Budget Confirmation		15/07/2020
2.	SCM Processes and Appointment of Service Provider	16/07/2020	24/07/2020
3.	Planning	27/07/2020	31/07/2020
4.	Fieldwork	03/08/2020	18/09/2020
5.	Draft Report without Management Comments		25/09/2020
6.	Presentation to DDG: CPM & CD: Prestige		09/10/2020
7.	Presentation to DG		16/10/2020
8.	Presentation to Minister		23/10/2020
9.	Presentation to Parliament		30/10/2020

Our submission of 29 July 2020, related to the project, indicated the following timelines which we projected:



We received the Purchase Order on 27 August 2020 from NDPWI and commenced our planning processes on 1 September 2020, with Prof Dr Joubert being on site by 4 September 2020. Based on the above, we commenced fieldwork on 4 September. Our team managed to conclude our fieldwork in 6 weeks from being appointed with additional effort during the weeks and weekend.

It must be noted that despite the date of appointment, the deadlines remained the same, with a final deadline of 30 October 2020.

We ensured that all audit processes to enable a draft report on 19 October 2020 were concluded within 6 weeks from appointment date.

Our Final report was discussed with management during the week of 16 November 2020.



SECTION II: EXECUTIVE SUMMARY

SECTION II: EXECUTIVE SUMMARY

Review Objectives

The primary objective of this engagement was to review the Parliament Prestige Construction Projects Performance and determine the gaps in the process that have resulted in extended project timelines and costs.

Key Issues Identified

Our review highlighted the following key issues with the management and implementation of the Parliament Prestige projects:

- ▶ **Organisational Issues:**
 - > Lack of appropriate skills and resources in Project Management/Assurance;
 - > Vacancies within the project management establishment;
 - > Attrition of existing Project and Construction Managers;
 - > Accountability and oversight are lacking;
 - > Lack of formal project governance structures, controls and processes.
 - > Inadequate project management is a systemic issue;
 - > Inadequate quality management and assurance.
- ▶ **Systems:**
 - > Outdated and inadequate systems;
 - > Inadequate project monitoring and evaluation;
 - > Inadequate document and information controls.
- ▶ **Planning:**
 - > Lack of internal planning capacity and scrutiny of projects schedules;
 - > Incomplete schedules;
 - > No formal portfolio planning, prioritisation and monitoring.
- ▶ **Specifications:**
 - > Incomplete and inadequate scope definition;
 - > Inadequate work specifications; and
 - > Specifications not aligned with long-term value.
- ▶ **Consultants:**
 - > Over-reliance on consultants;
 - > Inexperienced consultants on-site;
 - > Extended project durations dilute consultant fees.
- ▶ **Contractors:**
 - > Inadequate oversight of contractors;
 - > Focus on cost as opposed to quality and value;
 - > Lack of oversight of contractors;

- > Inadequate quality;
- > Frequent extension of time claims.

Review framework

We developed a valid controls framework to enable the review of the projects included in the sample provided by NDPWI. In this regard, the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) (National Treasury, 2017) was used to determine the baseline requirements for infrastructure procurement and delivery management. Although the SIPDM itself is not a project assurance framework, we further mapped it to an existing assurance framework.

Project assurance is the process of providing assurance to project stakeholders that the projects will achieve their scope, time, cost, quality objectives and also realise their benefits. In this regard, the Association for Project Management's (APM) "*Measures for Assuring Projects*" (Association for Project Management, 2016) was utilised as the assurance framework mapped to the requirements of the SIPDM.

The APM Assurance framework consists of the following 10 criteria. We also included below what were applicable to the scope of this assignment.

No.	Criteria	Description	Applicable to the current review
1	Client and Scope	Clear and controlled baseline requirements, objectives, success criteria, business case, terms of reference, contracts and benefits realisation.	No
2	Risks and opportunities	Management of risk and opportunity through the life cycle of the project.	Yes
3	Planning and scheduling	Appropriately detailed execution strategies, plans and schedules.	Yes
4	Organisational capability and culture	People, behaviours, teams, processes, systems and the working environment.	Yes - limited extent
5	Supply chain	Procurement processes, engagement with, and capability of, both the internal and external supply chain.	Not included in the scope, however, authorisations subsequent to initial procurement processes were tested.
6	Solution	The deliverables and outcomes that meet the client requirements. This includes product and/or service quality and the impact of the finished product or service on the social, physical and economic environment.	Yes
7	Finance	Commercial management and administration.	Yes
8	Social responsibility and sustainability	Managing the impact of project delivery on the social, physical, ecological and economic environment; this includes health and safety.	Yes

No.	Criteria	Description	Applicable to the current review
9	Performance	Measuring all facets of performance against the baseline requirements, variance analysis and management action.	Yes
10	Governance	The processes to align the interests and strategic direction of sponsors and stakeholders.	Yes

To map the APM requirements to the SIPDM, the following steps were followed:

1. Each of the 197 controls in the APM Assurance Framework was compared and linked to the SIPDM phase descriptions and other requirements. This resulted in each of the APM Assurance Framework controls being referenced back to a paragraph or diagram in the SIPDM.
2. The above was then verified by review groups of controls to ensure consistency and in this process, each of the controls were classified according to the following SIPDM category:
 - > Stage Gates.
 - > Project Stages.
 - > Project Delivery Procedures / Roles & Responsibilities.
3. The APM Assurance Framework contains a column referring to what evidence is required to fulfil each of the particular control requirements. This was expanded upon to indicate what specific documents (processes, procedures, project management documents) could be interrogated to provide evidence that the controls are in place.
4. As a completeness check, controls were compared to the requirements of the Project Management Institute's Project Management Body of Knowledge guide (PMBOK).
5. Since the APM Assurance Framework does not specifically refer to any project phases, procurement or project management gates, the SIPDM's requirements were used to expand the APM framework where appropriate.

Audit Methodology

The audit was conducted using the following phases:

Phase 1: Establish the context

The audit team had to obtain an understanding of the projects in terms of scope, cost, physical location and implementation issues. A list of 12 projects was selected by NDPWI management and provided to BDO for audit purposes.

Two of the selected projects, were facilities management projects. The remainder were either "upgrade" or "refurbishment" projects, as illustrated on the table below:

Project name	WCS Number	Authorisation (R million)
FM: Official Office Accommodation	046547	R519.45
FM: Residential Accommodation	046548	R506.88
NCOP Building Refurbishment	044232	R111.39
Belvedere Building Refurbishment	045136	None for Execution
Tuynhuys / Business Hub Renovation	049416	R54.06
Marks Building external renovations	050720	R41.63
Residences of Sessional Officials Refurbishment	045661	R140.01
90 Plein Street, 6 th Floor Total Refurbishment	045650	R25.93
100 Plein Street, External Repairs	045655	R18.28
Access Control Parliamentary Villages	042638	R37.47
National Assembly/NCOP/Old Assembly: Replace 19 Lifts	051634	R18.56
Swans Garage Redesign	053095	R13.45

Figure 1: List of projects

The project files for each of these projects were made available at the NDPWI offices in Cape Town. These project files were reviewed and documentation was collected and appropriately filed as follows:

- ▶ Planning instruction;
- ▶ Sketch plan;
- ▶ Project schedule;
- ▶ Project cost history for both project Consultants and Contractors;
- ▶ Financial report;
- ▶ Authorizations; and
- ▶ Variation orders.

The project team then reviewed the project files and started compiling the audit evidence files. The on-site team consisted of one Project Manager/Construction Risk Management Expert, four Senior Auditors, (iii) one junior auditor. Off-site support was provided by a Project Director, a Senior Manager and a Manager. The Project Director and Senior Manager were on site in Cape Town from time to time.

Phase 2: Site Visits

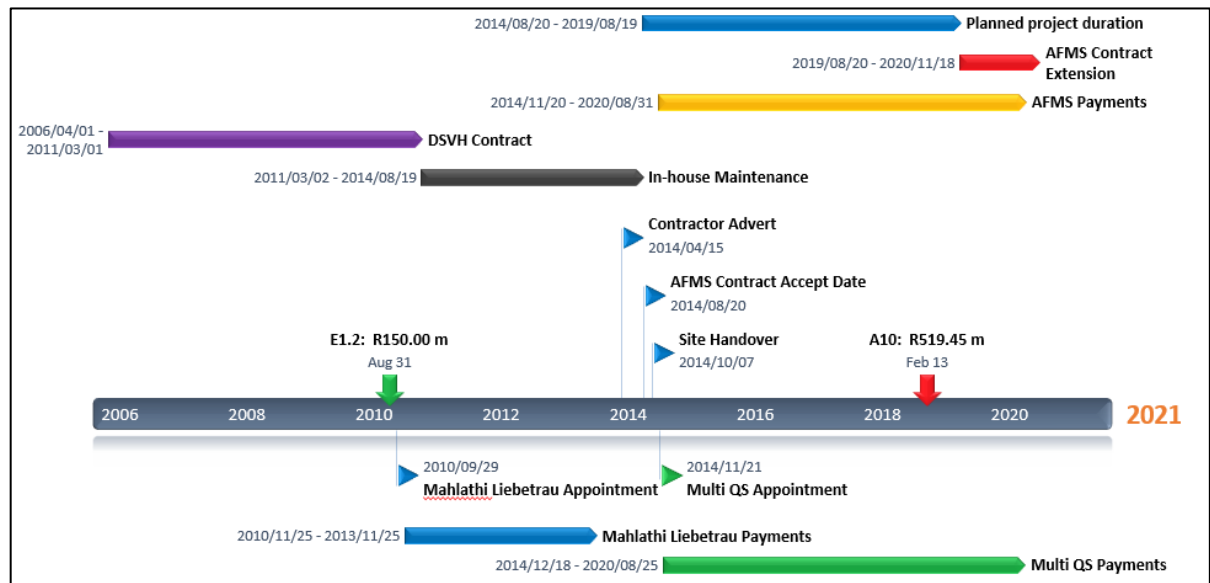
Site visits commenced on 21 September 2020 in the company of a Professional Engineer. The Project Director also joined the site visits on 28 September 2020. These site visits and access were scheduled by the NDPWI Project Managers.

Project name	Number	Date
FM: Official Office Accommodation, which included the following: NCOP Building, Goede Hoop Building, Presidency, Marks Building, Tuynhuys, Tuynhuys Gardens, Queens Garden.	046547	28-Sep
FM: Residential Accommodation (Acacia Park, Groote Schuur, Rygersdal)	046548	22-Sep 15-Oct
NCOP Building Refurbishment	044232	21-Sep
Belvedere Building Refurbishment	045136	21-Sep
Tuynhuys / Business Hub Renovation	049416	21-Sep
Marks Building external renovations	050720	28-Sep
Residences of Sessional Officials Refurbishment	045661	22-Sep
90 Plein Street, 6 th Floor Total Refurbishment	045650	23-Sep
100 Plein Street, External Repairs	045655	Project started recently
Access Control Parliamentary Villages	042638	23-Sep
National Assembly/NCOP/Old Assembly: Replace 19 Lifts	051634	21-Sep
Swans Garage Redesign	053095	28-Sep

Figure 2: Site visit dates

Phase 3: Timelines

Based on the information obtained from the project files and site visits, timelines were created for each of the projects. These are all included under the heading **Project Scope, Timelines and Comments** (page 14). These timelines are useful as they provide context regarding the duration of projects, as well as cost. A typical timeline appears below:



Phase 4: Data Capturing and Analysis

The project dates, costs and authorisations were obtained from the project files as well as screen prints from the WCS system. As a general comment, the information from the files and the system rarely differed. The data was then captured in a database. Time and cost analyses could then be conducted on the portfolio of projects. The results of this data analysis appear on page 50.

Phase 5: Stakeholder engagements

Stakeholder engagements took place throughout the project and were conducted with the following:

- ▶ Representatives of AFMS and Broll (the FM service providers). This included the Key Account Managers, Financial Managers and Facility Managers. Demonstrations on the software in use were also provided.
- ▶ A representative from MultiQS, the company which oversees the implementation of the AFMS and Broll Contracts.
- ▶ NDPWI representatives at Acacia Village, Project Managers, Construction Managers, the NDPWI Regional Manager, as well as representatives from NDPWI Head Office.
- ▶ Construction manager of the NCOP Building, representing Nolitha Electrical.
- ▶ Various representatives from the Client - Parliament. This included stakeholders involved in FM, Project Management and Security.

Phase 6: Draft Findings

The first draft findings were distributed to NDPWI on 12 October 2020, before the completion of the draft report. This was done to provide Management extra time to review the findings, as the report was planned to be presented to the Minister of Public Works and Infrastructure on 28 October 2020. Management comments on the Facilities and Project Management parts of the report were received on 9 November and from Internal Audit on 10 November.

Phase 7: Draft Report

The draft report was submitted to the NDPWI on 19 October 2020. Management comments had to be completed by 22 October 2020 in order for the report to be issued to the Minister and Parliament by 28 and 30 October 2020 respectively. We concluded management comments on 12 November 2020.

The findings were reported on 16 November 2020 at the monthly meeting between DPWI and Parliament.

Phase 8: Final Report

The final report was issued to the NDPWI on 20 November 2020

Project Scope, Timelines and Comments

Each of the projects in our sample is presented in terms of (i) Scope, (ii) History, (iii) History of Estimates and Authorisations as well as some (iv) Comments.

Please note that the comments included are high-level and details are found in the detailed findings section of this report.

The legend for the timelines is as follows:

- (i) Estimates (green arrow);
- (ii) Specific Events or project milestones (blue triangle);
- (iii) Activity Duration (green in the example below); and
- (iv) A history on the Authorisations (red arrows):

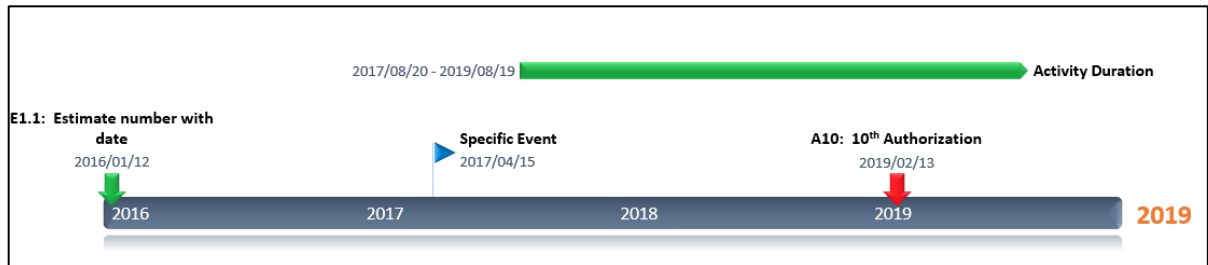


Figure 3: Timeline Legend

Project: FM: Official Accommodation

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	FM: Official Office Accommodation
2	Initial Project Value	R 357,49 million
3	Additions & Variations	R 161,96 million
4	Final Project Value	R 519,45 million
5	Contractor	AFMS Group
6	Initial Project Period	60 months
7	Time Extensions	16,1 months
8	Total Project Period	76,1 months

Figure 4: Project Summary Table: FM: Office Accommodation

Scope

This is a 5-year FM contract for office accommodation inside the Parliamentary Precinct, with the following services:

- ▶ Services 1: Facilities Management
- ▶ Services 2: Building Fabric and Services Maintenance

- ▶ Services 3: Security & Emergency Preparedness
- ▶ Services 4: Grounds Maintenance Incl. Civils
- ▶ Services 5: Swimming pools, jacuzzis & water features
- ▶ Services 6: Cleaning & Hygiene
- ▶ Services 7: Waste Management
- ▶ Services 8: Energy Management and Utilities Supplies
- ▶ Services 9: Environmental Management (Incl. Pest Control)
- ▶ Services 10: Disaster Management
- ▶ Services 11: Fire and Emergency Management
- ▶ Services 12: Ceremonial Duties

History

- ▶ The contract was awarded to AFMS after a period of nearly 3.5 years during which in-house maintenance took place. During this time, a significant amount of backlog maintenance was accumulated.
- ▶ The contract with AFMS expired on 19 August 2019 and was extended to 18 November 2020, after which maintenance will be handled in-house until a suitable contractor can be appointed.
 - > **Finding 1: Inadequate contract planning with regard to FM contracts can be found on p.62.**
- ▶ NDPWI has advised that National Treasury will not allow a further extension of the contract.

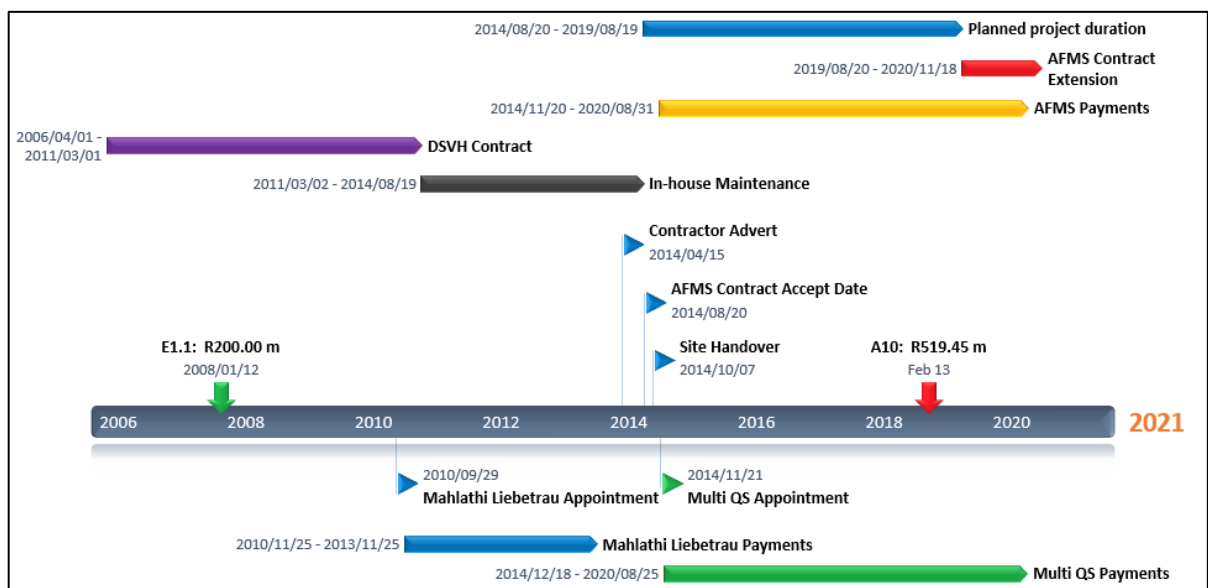


Figure 5: History: FM: Office Accommodation

Estimates and authorisations

- ▶ The graph below displays the history of estimates and authorisations. The initial authorisation on the project was finalised in September 2014 for an amount of R357.49 million, against an estimate of R360.07 million. A further R81.25 million was approved for backlog maintenance in May 2016.
- ▶ The growth of these authorisations are described in more detail in
 - > **STRATEGIC FINDINGS**
 - > **Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes on page 145.**

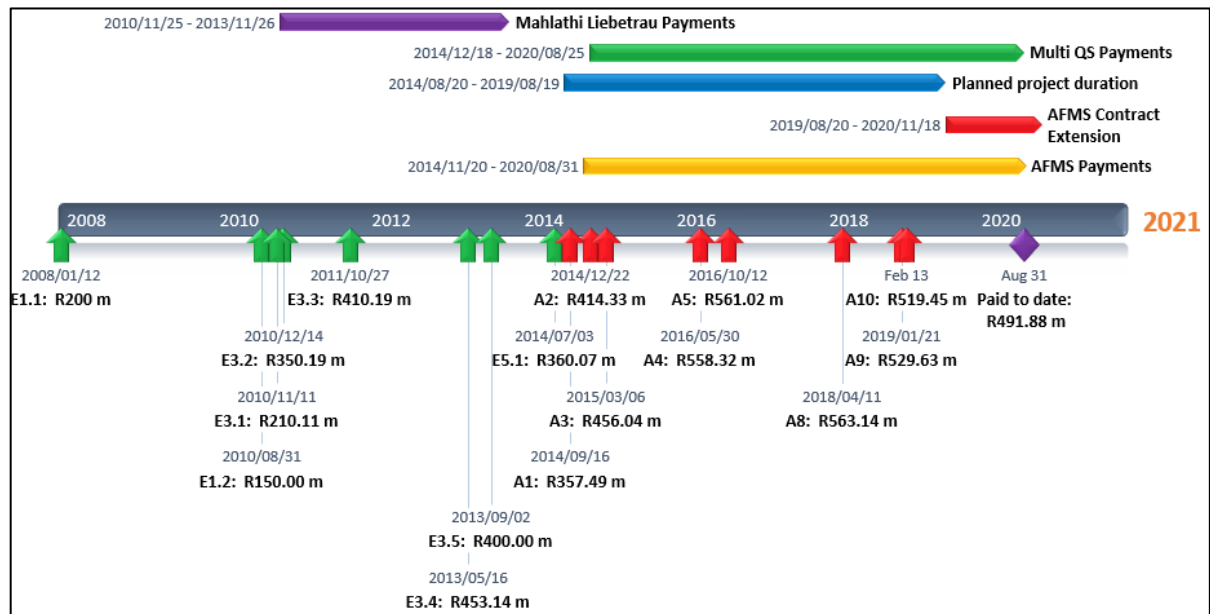


Figure 6: Estimates and Authorisations: FM: Office Accommodation

Comments

- ▶ Sites visited: Parliamentary Precinct - Marks Building, Queen’s Garden, Tuynhuys Garden, Swans Garage.
- ▶ Quality of maintenance:
 - > General condition of the grounds is good.
 - > General condition of the buildings in most cases is good, with some cases being acceptable.
 - > AFMS Asset Management system seems adequate on inspection, but the detail captured in the system is not on the same level as the system used by Broll.
- ▶ Several instances of aging infrastructure were noted when reviewing the air conditioning systems.
- ▶ Normal maintenance on some of these systems cannot replace either refurbishment or upgrades.
- ▶ Some issues with the Contract were noted.
 - > Contract scope definition is inadequate with the Bills of Quantities (BOQ) being incomplete. For the next contract, it has to be ensured that the BOQs are updated with the latest information.
 - > The contract does not make provision for “refurbishment” type work, which creates delays if the work is conducted in-house by NDPWI. The split responsibilities between Capital Repairs, NDPWI, Parliament and AFMS creates interfacing problems and customer dissatisfaction.
 - Finding 3: FM Contract does not make provision for refurbishment appears on page 73.
 - > The contract creates gaps in maintenance - AFMS will “maintain the garden”, but will not plant new plants / fill open areas with existing plants.
 - Finding 8: Inadequate garden maintenance in Parliamentary Precinct appears on page 90.

Project: FM: Residential Accommodation

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	FM: Residential Accommodation
2	Initial Project Value	R 312,16 million
3	Additions & Variations	R 194,73 million
4	Final Project Value	R 506,88 million
5	Contractor	Broll
6	Initial Project Period	60 months
7	Time Extensions	16,1 months
8	Total Project Period	76,1 months

Figure 7: Project Summary Table: FM: Office Accommodation

Scope

This is a 5-year FM contract for residential accommodation, with the following services:

- ▶ Services 1: FM
- ▶ Services 2: Building Fabric and Services Maintenance
- ▶ Services 3: Security & Emergency Preparedness
- ▶ Services 4: Grounds Maintenance Incl. Civils
- ▶ Services 5: Swimming pools, jacuzzis & water features
- ▶ Services 6: Cleaning & Hygiene
- ▶ Services 7: Waste Management
- ▶ Services 8: Energy Management and Utilities Supplies
- ▶ Services 9: Environmental Management (Incl. Pest Control)
- ▶ Services 10: Disaster Management
- ▶ Services 11: Fire and Emergency Management
- ▶ Services 12: Ceremonial Duties

The contract covers Acacia Village, Laboria, Rygersdal and Groote Schuur.

History

- ▶ The contract was placed with Broll after a period of nearly 3.5 years during which in-house maintenance took place. During this time, a significant amount of backlog maintenance was accumulated.
- ▶ The contract with Broll expired on 19 August 2019 and was extended to 18 November 2020, after which maintenance will be handled in-house, until a suitable contractor can be appointed.
 - > **Finding 1: Inadequate contract planning with regard to FM contracts can be found on p.62.**
- ▶ NDPWI has advised that National Treasury will not allow a further extension of the contract.

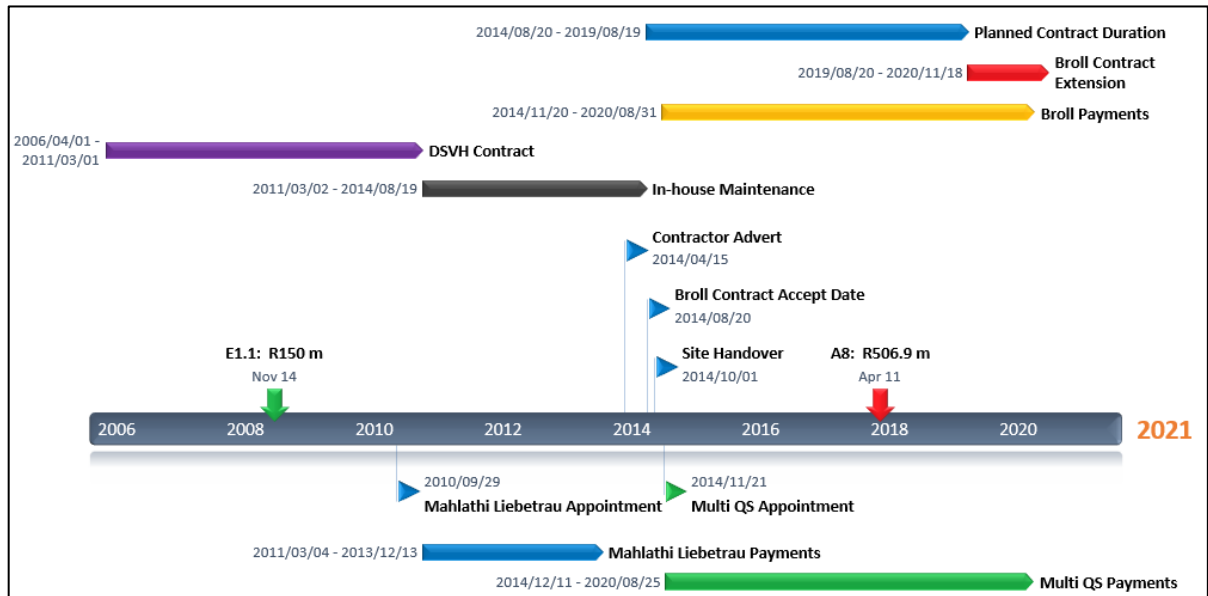


Figure 8: History: FM: Residential Accommodation

Estimates and authorisations

- ▶ The graph below displays the history of estimates and authorisations.
- ▶ The initial authorisation on the project was finalised in September 2014 for an amount of R312.2 million, against an estimate of R329.0 million.
- ▶ A further R109.4 million was approved for backlog maintenance in May 2015 (Authorisation 3).
 - > STRATEGIC FINDINGS
 - > Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes on page 145.

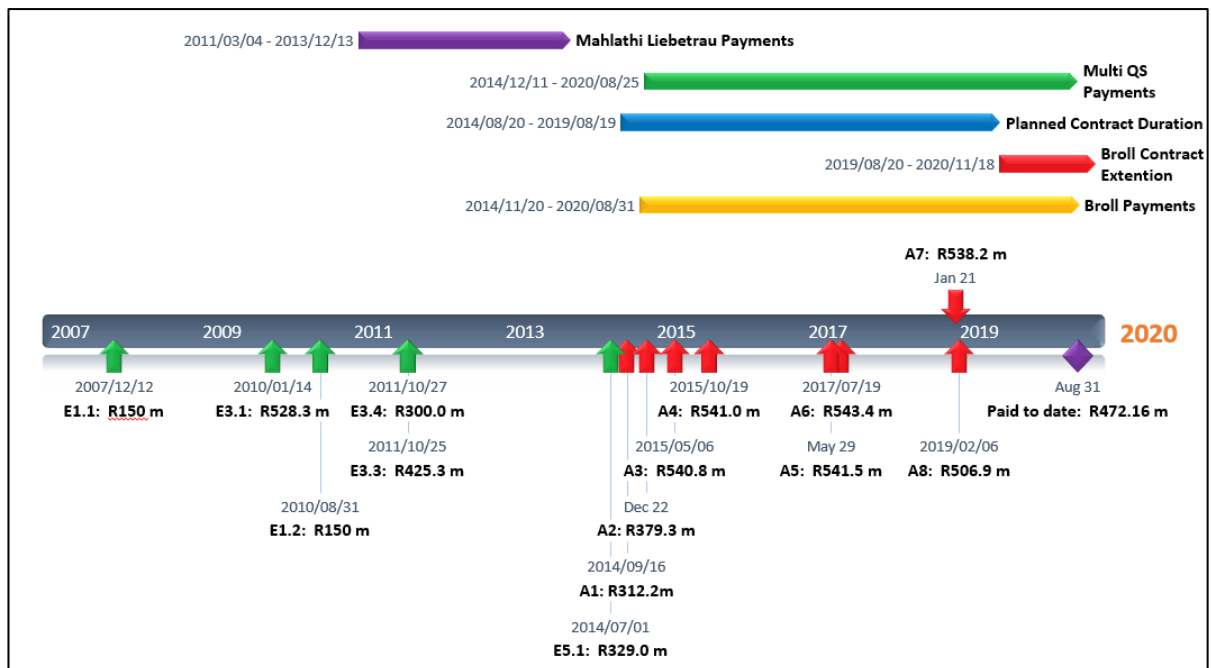


Figure 9: Estimates and Authorisations: FM: Residential Accommodation

Comments

- ▶ Some issues were identified related to unclear initial specifications of the contract. The specifications used do not support long-term low -maintenance - especially evident in kitchen fittings and bedroom cupboards.
 - > **Finding 13: Specifications not aligned with long-term low maintenance strategy (page 112).**
- ▶ Lack of supervision / sign-off of assets - bar stools instead of kitchen counter stools.
- ▶ General condition of the grounds is good.
- ▶ General condition of the buildings in most cases is very good, with some cases being acceptable.
- ▶ The Broll Asset Management system is leading-edge - information from the system should be applied during the scope definition phase of the new FM contract.
- ▶ Contract scope definition is inadequate with the Bills of Quantities (BOQ) being incomplete. For the next contract, it has to be ensured that the BOQs are updated with the latest information.
- ▶ The contract does not make provision for “refurbishment” type work. Broll can paint a wall, but not repair the roof which causes the water seepage. The split responsibilities between Capital Repairs, NDPWI Services, and Park Management and Broll creates interfacing problems and customer dissatisfaction.
 - > **Finding 3: FM Contract does not make provision for refurbishment (page 73).**

Project: NCOP Building Refurbishment

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	NCOP Building Refurbishment
2	Initial Project Value	R 103,20 million
3	Additions & Variations	R 8.19 million
4	Final Project Value	R 111,39 million
5	Contractor	Nolitha Electrical
6	Initial Project Period	24 months
7	Time Extensions	17,2 months
8	Total Project Period	41,2 months

Figure 10: Project Summary Table: NCOP Building Refurbishment

Scope

- ▶ National Council of Provinces building is located at the Parliamentary Precinct in the City of Cape Town.
- ▶ This historical building was constructed in 1884 and therefore a heritage asset.
- ▶ Structural deterioration needed to be repaired and consisted of cracks, dampness, foundation movement and spalling of structural concrete.
- ▶ This deterioration posed various safety hazards that needed to be repaired.
- ▶ Other scope items included the upgrade of the kitchens, HVAC system, fire protection for the library as well as refurbishing some office space.

History

- ▶ The project was supposed to be completed on 17 April 2019 and is still under construction.

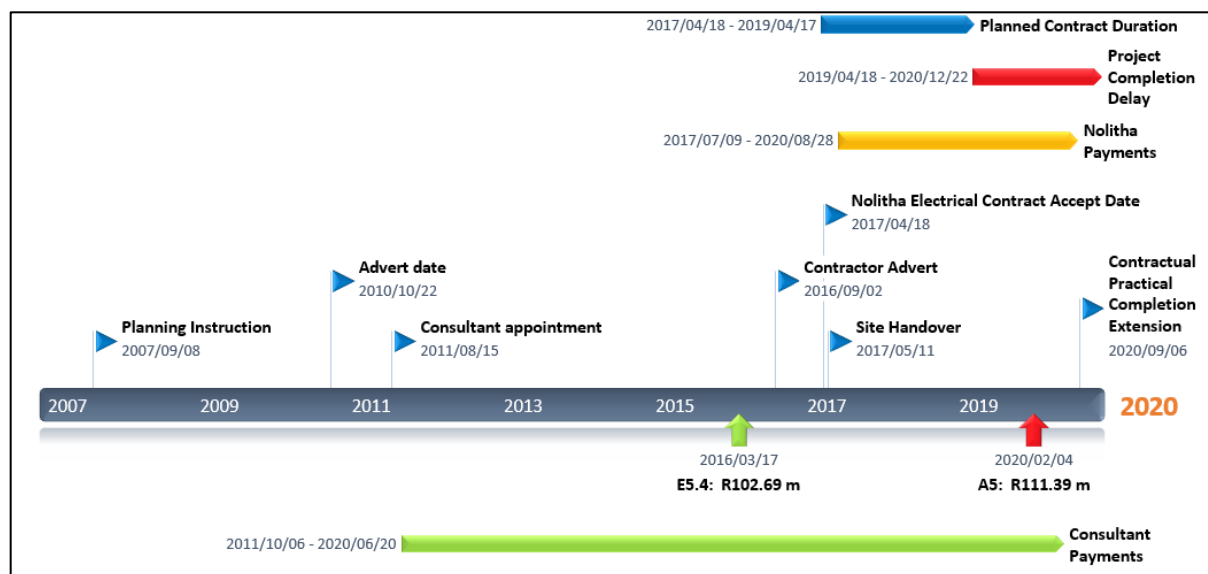


Figure 11: History: NCOP Building Refurbishment

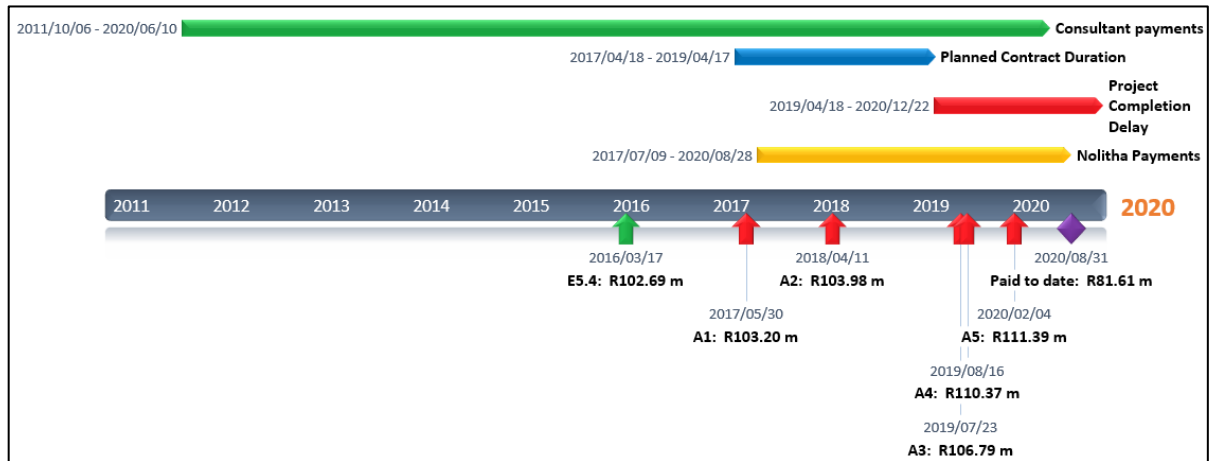


Figure 12: History: NCOP Building Refurbishment

Estimates and authorisations

- ▶ Significant project delays have been experienced, mainly related to the age of the building, as well as site access issues (189 workdays) and related extension of time claims.
 - > Finding 11: Inaccurate project schedules and excessive extension of time delays (page 2).
- ▶ The project is already 7.9% over budget and was authorized with an “Unforeseen budget” of 5%. There is no scientific support for the “rule of thumb” estimate for contingency.
 - > Finding 14: Project contingency is calculated using an unscientific method appears on page 116
- ▶ Extension of time claims on this project amounted to R4.44 million

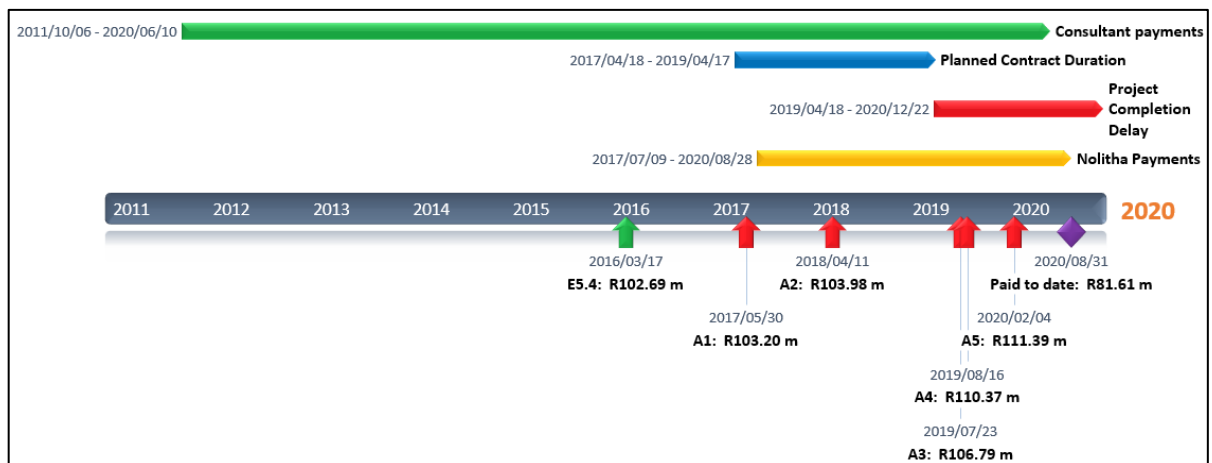


Figure 13: Estimates and Authorisations: NCOP Building Refurbishment

Comments

- ▶ Construction safety is a concern as there was no site induction and very little evidence of a Health & Safety programme on-site.
- ▶ Construction housekeeping and protection of existing infrastructure is not up to standard for a heritage asset.
- ▶ Fire protection is a major concern. The fire protection system in the building is not working and it is doubtful that the gas suppression system in the library would protect the collection should the building catch fire.

- > OPERATIONAL AND SITE FINDINGS
 - > Finding 30: Fire Protection in heritage (page 170).
- ▶ Significant project delays are evident due to (i) inaccurate initial schedule as well as (ii) continuous work stoppages by Parliament.

Project: Belvedere Building Refurbishment

Scope

- ▶ The Belvedere Building is of great architectural/aesthetic and local historic significance.
- ▶ The building was in urgent need of restoration and renovation and was neglected throughout the years. Only most basic repairs and maintenance were carried out in an ad hoc fashion.
- ▶ Parts of the building are occupied by the South African Police Service (SAPS). It is understood that the empty rooms are not safe for use.

History

- ▶ The project was started in 2007 and estimates were obtained in 2011.
- ▶ The project has been stopped. There has been no expenditure for contractors on this project.

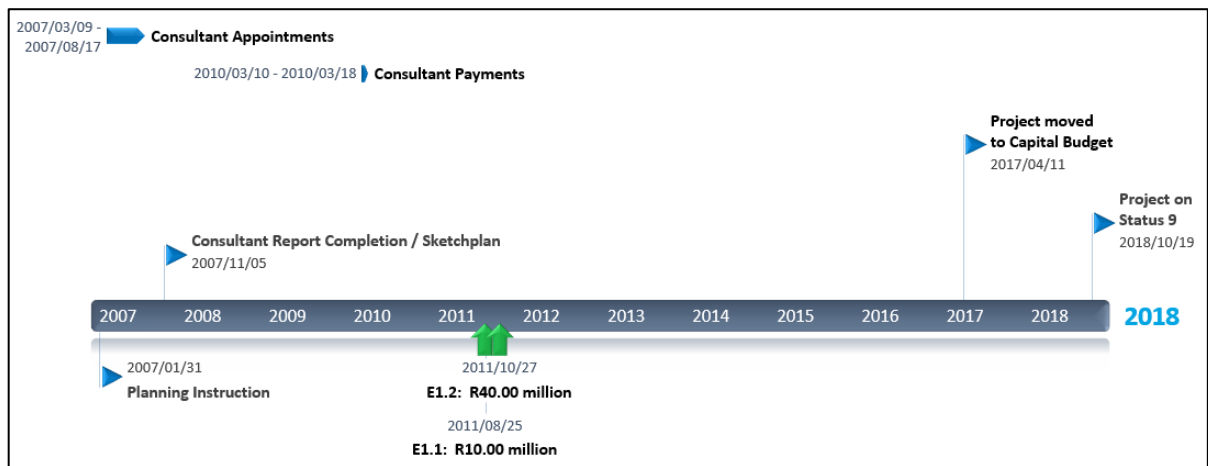


Figure 14: History: Belvedere House Refurbishment

Project: Tuynhuys / Business Hub Renovation

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	05 Tuynhuys / Business Hub
2	Initial Project Value	R 57,80 million
3	Additions & Variations	R 3,74 million
4	Final Project Value	R 54,06 million
5	Contractor	Prema Raciti Construction
6	Initial Project Period	12 months
7	Time Extensions	15,6 months
8	Total Project Period	27,6 months

Figure 15: Project Summary Table: Tuynhuys / Business Hub Renovation

Scope

- ▶ The project scope included providing additional storage space for furniture and ancillaries at the Presidency (Tuynhuys and Gardener’s Cottage).
- ▶ Temporary containers were hired for two years to alleviate the critical lack of storage space.
- ▶ Access to these containers was very restrictive and the containers were not weatherproof resulting in water ingress and damage to the contents of the containers.
- ▶ The store project included: Ancillary security installations, replacement of bullet resistant glass in strategic areas and replacing/upgrading doors into sensitive areas.
- ▶ New business hub, removing photo copying away from President’s Office Suite was also provided and the installation of a new Paraplegic Platform Lift was completed.

History

- ▶ The project was completed on 3 February 2018.
- ▶ Significant project delays were experienced, mainly related to the age of the building, as well as site access issues (343 workdays) and related extension of time claims.

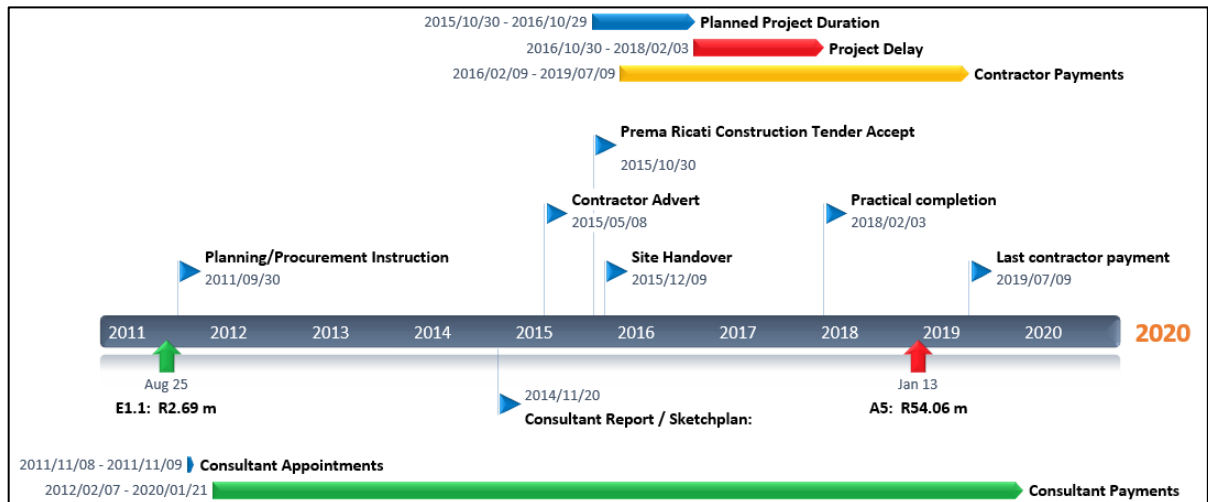


Figure 16: History: Tuynhuys / Business Hub Renovation

Estimates and Authorisations

- ▶ The project was completed within budget, which included extension of time claims of R 2.79 million.

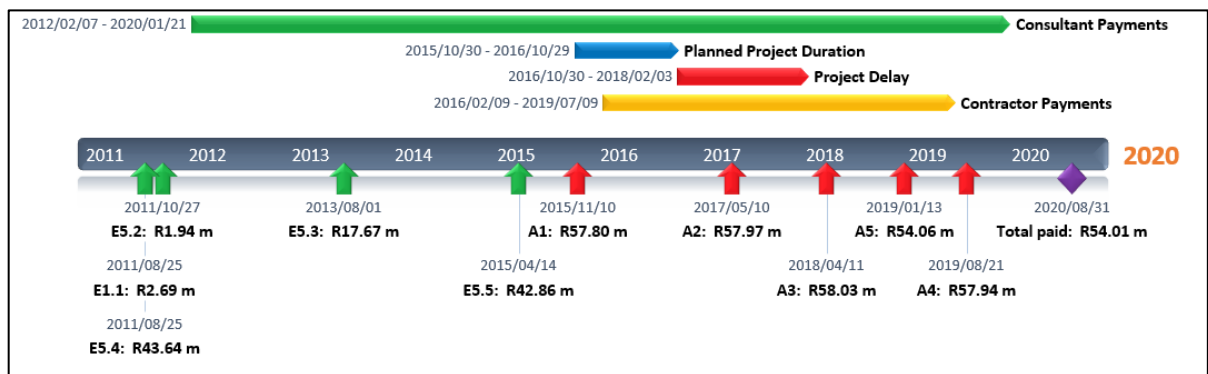


Figure 17: Estimates and Authorisations: Tuynhuys / Business Hub Renovation

Comments

- ▶ Some questions can be raised regarding the specifications, long-term maintainability and cost of the facility, especially the business hub. It appears that the focus was on short-term aesthetics and not long-term maintainability.
 - > Finding 13: Specifications not aligned with long-term low maintenance strategy (page 112).
- ▶ During the visit it was noted that there is no automatic sprinkler system in Tuynhuys, which is a heritage building containing a lot of very well-maintained wood and wooden furniture.
 - > OPERATIONAL AND SITE FINDINGS
 - > Finding 30: Fire Protection in heritage appears on page 173.

Project: Marks Building External Renovations

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	06 Marks Building external renovations
2	Initial Project Value	R 21,21 million
3	Additions & Variations	R 20,42 million
4	Final Project Value	R 41,63 million
5	Contractor	Ilitha Painters and Decorators
6	Initial Project Period	18 months
7	Time Extensions	30,1 months
8	Total Project Period	48,1 months

Figure 18: Project Summary Table: Marks Building External Renovations

Scope

- ▶ Marks Building is located at 90 Plein Street, Cape Town City Centre and is a heritage Building from 1905.
- ▶ Due to the age of the building, the following repairs had to take place:
 - > Roof.
 - > Dormer windows that were in a bad state.
 - > Servicing and replacement of glass.
 - > All the glass in the windows facing North West needed to be replaced with appropriate glass.
 - > Repairing of the sandstone in selected areas only (re-painting and cleaning).
 - > Repair and service of the HVAC units on the roof.
 - > General external repairs and painting.

History

- ▶ The project was completed on 28 March 2019, after a delay of more than 30 months.
- ▶ There were significant problems with the planning of the decanting process, which resulted in extension of time claims of 393 workdays. A security clearance delay of 132 workdays was also experienced due to the German nationality of the roof repair contractor.

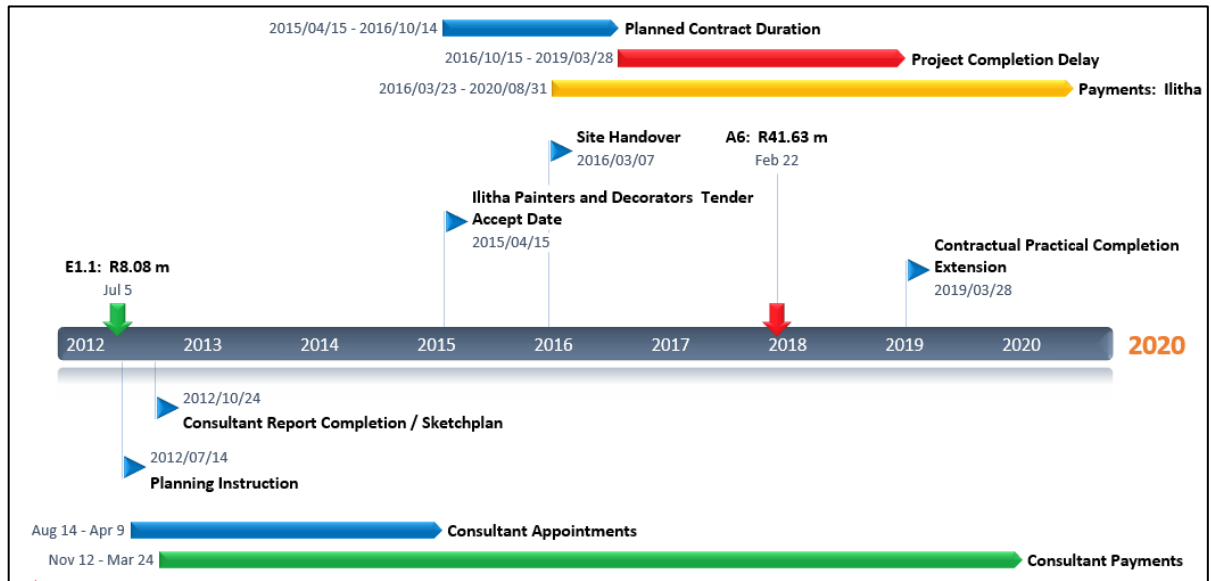


Figure 19: History: Marks Building External Renovations

Estimates and authorizations

- ▶ This project went over budget by 86.9% and over time schedule by 129.7%.
- ▶ The issue related to project contingency, which was also identified on the NCOP building, is also applicable on this project. There is no scientific supporting a 5% “rule of thumb” estimate for contingency.
 - > Finding 14: Project contingency is calculated using an unscientific method can be found on page 116.
- ▶ Extension of time claims on this project amounted to R1.4 million.

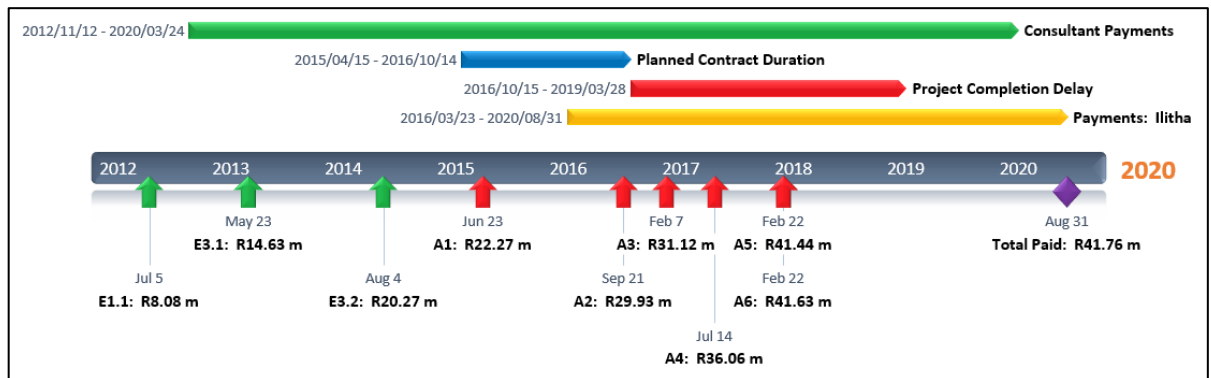


Figure 20: Estimates and Authorisations: Marks Building External Renovations

Comments

- ▶ The building appears to be well maintained.
- ▶ The project solved the building’s water leak problem during rain.

Project: Residences of Sessional Officials Refurbishment

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	Residences of Sessional Officials Refurbishment (Combined)
2	Initial Project Value	R 77,46 million
3	Additions & Variations	R 62,56 million
4	Final Project Value	R 140,01 million
5	Contractor	Vusela Construction / Nolitha Electrical
6	Initial Project Period	53 months
7	Time Extensions	31,6 months
8	Total Project Period	87,1 months

Figure 21: Project Summary Table: Residences of Sessional Officials Refurbishment

Scope

- ▶ This project has a complicated history. It was planned to be completed in 2011 but was only concluded in 2019. This was due to significant additional scope as well as the liquidation of the initial contractor (Vusela Construction).
- ▶ The initial scope of the project included the following:
 - > Stripping and removing existing furnishings, cupboards, floor finishes, etc.
 - > Repairing or replacing damaged work.
 - > Alterations to interior of some units.
 - > New internal and external finishes and fittings.
 - > Rewiring and new electrical installations.
 - > Solar hot water installations.
 - > Minor external works comprising paving, pre-mix and boundary walls.

History

- ▶ 155 units were completed by 2013.
- ▶ Additional scope of R55.07 million was requested in 2013 to complete additional units.
- ▶ There was a gap of approximately nearly two years between the last payments made to Vusela Construction and the first payments made to Nolitha, the replacement contractor.

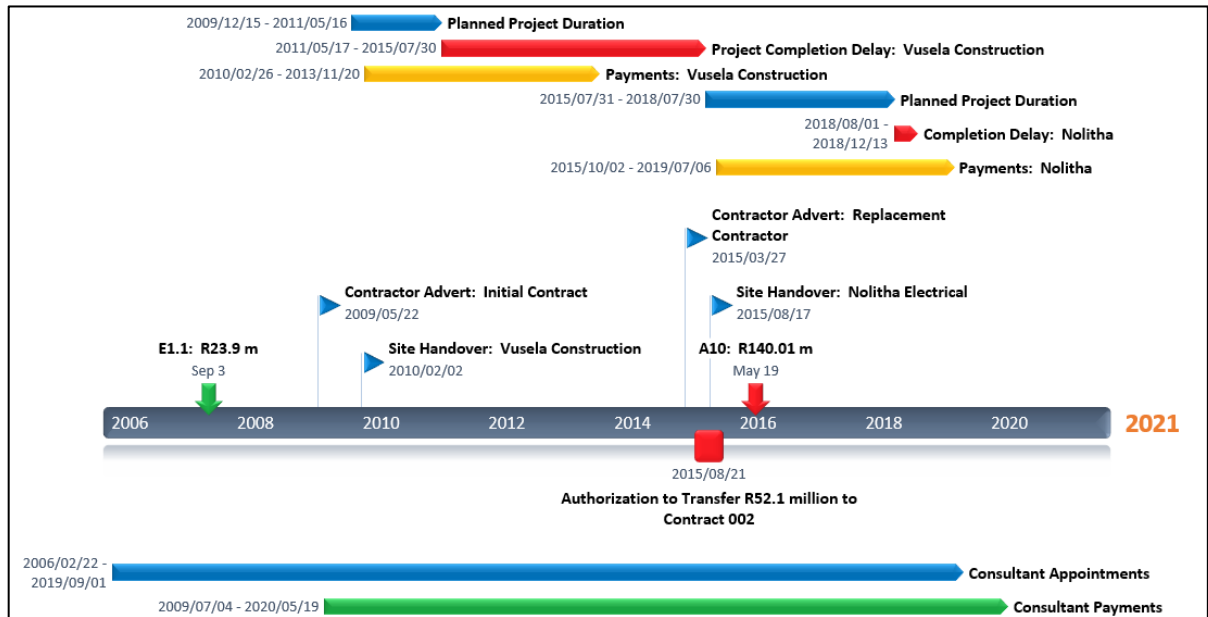


Figure 22: History: Residences of Sessional Officials Refurbishment

Estimates and Authorisations

- ▶ The graph below displays the history of Estimates and Authorisations. The initial authorisation on the project was R77.46 million.
- ▶ Additional scope of R43.18 million was approved in June 2013.
 - > STRATEGIC FINDINGS
 - > Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes (page 145).

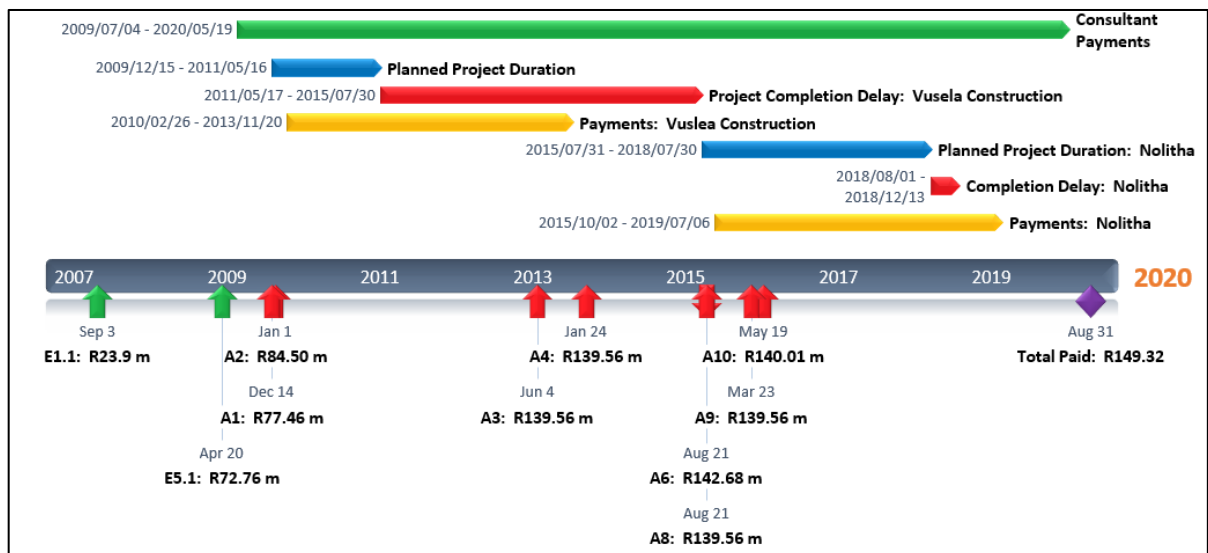


Figure 23: Estimates and Authorisations: Residences of Sessional Officials Refurbishment

Comments

- ▶ As with other projects, some issues were identified with project specifications not being aligned with future low maintenance taken into consideration.
- ▶ The overall quality of the work is good, and the buildings are well maintained.

- ▶ The overall quality of the refurbished houses was good, but the kitchen cupboard specification is too low to support long-term low-maintenance. The kitchen counters should also have been specified at a higher level, as some of them are already showing damage.
- ▶ In some houses, the kitchen counter chairs are actually bar counter chairs which are too high. The specification of these chairs and how they were signed off indicates shortfalls by the consultants as well as the department.
 - > **Finding 22: Fruitless and wasteful expenditure - Acacia Park bar stools (page 142).**
- ▶ The general condition of the garden is good and the overall impression of housing and the village is good.

Project: 90 Plein Street, 6th Floor Total Refurbishment

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	90 Plein Street 6th Floor Total Refurbishment
2	Initial Project Value	R 25,93 million
3	Additions & Variations	Nil
4	Final Project Value	R 25,93 million
5	Contractor	Prema Raciti Construction
6	Initial Project Period	8 months
7	Time Extensions	5,4 months
8	Total Project Period	13,4 months

Figure 24: Project Summary Table: 90 Plein Street, 6th Floor Total Refurbishment

Scope

- ▶ Parliament officially requested additional space due to the expansion of the Support Services Division reporting to the Institutional Support Division. This entire 6th floor was previously occupied by the Department of Justice.
- ▶ The 6th floor was totally refurbished, which included the gutting of the previous offices, the installation of new dry walls, carpets and network ducting. The toilets were also refurbished.

History

- ▶ There were significant delays in completing the project, even though it was not occupied during the construction period.
- ▶ The project achieved practical completion on 18 August 2019.
- ▶ During a site visit on 23 September 2020, it was noted that the offices are still unoccupied.

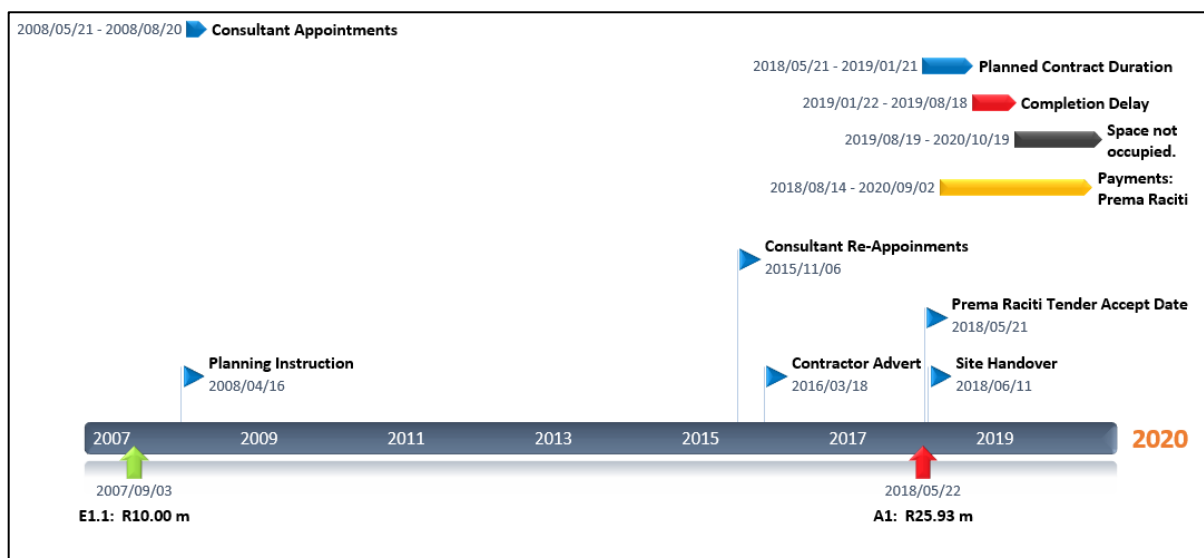


Figure 25: History: 90 Plein Street 6th Floor Total Refurbishment

Estimates and authorisations

- ▶ The project was completed within budget, which included extension of time claims of R 1.24 million. This is peculiar, as the floor was unoccupied during the initial construction period of 8 months, which seems excessive for a project like this.

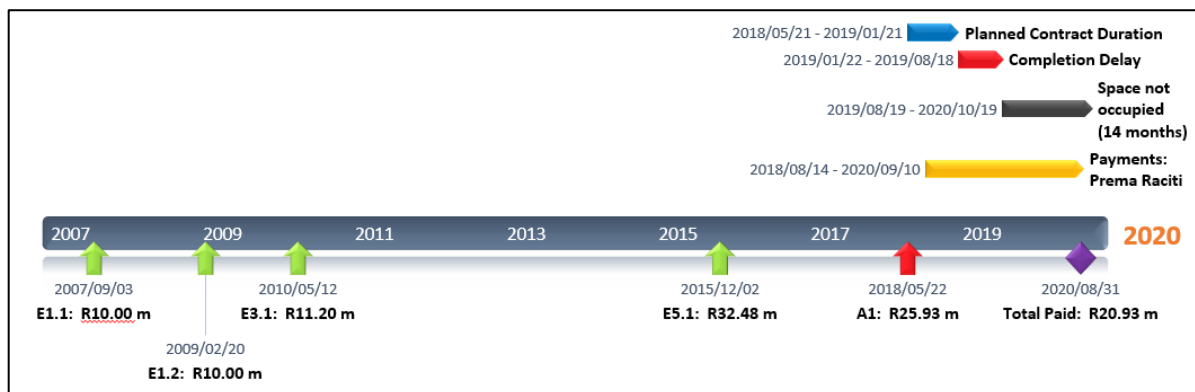


Figure 26: Estimates and Authorisations: 90 Plein Street 6th Floor Total Refurbishment

Comments

- ▶ The offices, which comprises approximately 2 300m², also does not have any furniture. Some furniture (two desks) were on display, apparently as samples.
- ▶ One would have expected that the furniture would have been delivered already, especially when considering that the planned completion date for the project was 21 January 2019.
- ▶ The fact that this space has been vacant and unfurnished for 13 months indicates that the refurbished space was not utilised, thus the expenditure was made in vain and could have been avoided had reasonable care been exercised.
 - > Finding 19: Lack of planning & fruitless and wasteful expenditure - 90 Plein Street 6th Floor refurbishment (page 134).
- ▶ There are some quality issues with the completed works. Some issues with the security system was noted after the project was completed.
 - > Finding 18 Lack of quality management on refurbishment and upgrade projects on page 126.
- ▶ The total cost for the renovation was R25.86 million (including consultant's fees) and the floor space was 2 300m², giving a cost of R11 243/m².
- ▶ The AECOM 2019/20 Property Construction Cost Guide indicates that to construct a new high-rise tower block with standard specification would cost between R11 500 - R15 300/m², which indicates that the NDPWI did not obtain value for money.
 - > Finding 18 Lack of quality management on refurbishment and upgrade projects on page 126 are taken into consideration.
- ▶ Management must consider instituting an investigation with regards to the project based on the findings we have raised already and the fact that the cost per m², is deemed excessive.

Project: 100 Plein Street External Repairs

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	100 Plein Street External Repairs
2	Initial Project Value	R 18,28 million
3	Additions & Variations	-
4	Final Project Value	R 18,28 million
5	Contractor	Coega Development Corporation
6	Initial Project Period	12 months
7	Time Extensions	3,9 months
8	Total Project Period	15,9 months

Figure 27: Project Summary Table: 100 Plein Street External Repairs

Scope

- ▶ Building inspections were conducted by the FM Company (DSVH), which identified the following immediate repairs and renovations in August 2008:
 - > Leaking gutters & down pipes, bad condition facia boards and paint work that required cleaning from bird droppings.
 - > Upgrading of the Ground Floor Contractors' Entrance to improve pedestrian flow, efficiency and security.
 - > Capital Expenditure consists of Building (building, electrical installation and lift installation) and Development (professional fees) costs
 - > Waterproofing to the roof was in poor condition and required maintenance.
 - > Steel window frames required repairs and resealing.

- ▶ Additional Scope (05 June 2020):
 - > Ground floor repairs and renovations at 100 Plein Street.
 - > Office accommodation in the Stalplein basement.
 - > Construction of a new visitor's entrance into the Parliament Precinct from the courtyard of 130 Plein Street building.

History

- ▶ This is one of 4 projects which formed part of audit which nearly had 10 years elapse between the planning instruction and the contractor starting on-site.
- ▶ The site handover only took place in June 2020.

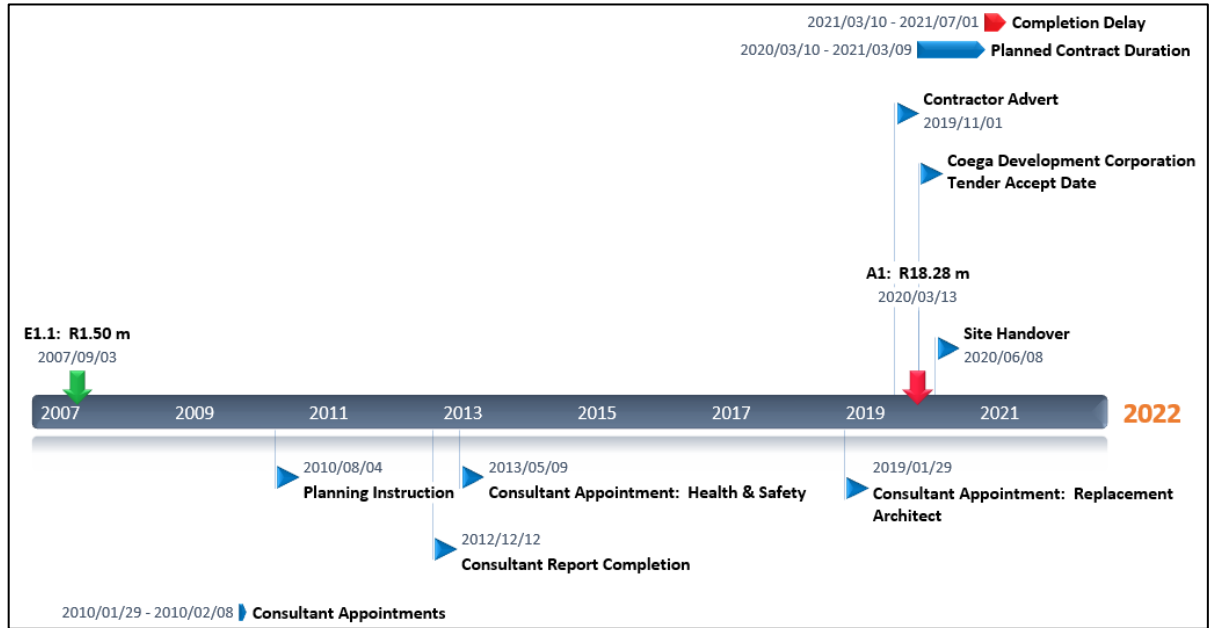


Figure 28: History: 100 Plein Street External Repairs

Estimates and authorisations

- ▶ There has been no increase in the initial project authorisation.

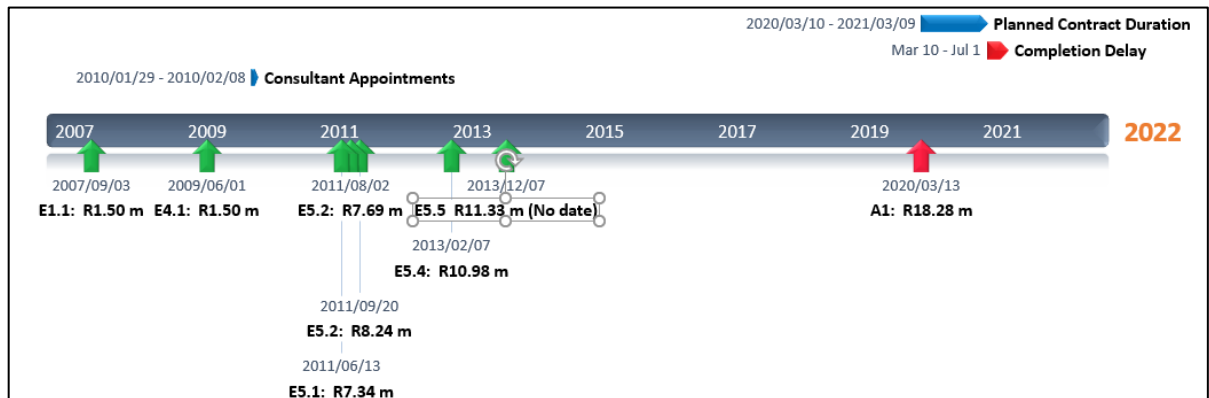


Figure 29: Estimates and Authorisations: 100 Plein Street External Repairs

Comments

- ▶ There is a 49-workday pending extension of time claim on this project due to COVID-19.

Project: Access Control Parliamentary Villages

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	Access Control Parliamentary Villages
2	Initial Project Value	R 36.65 million
3	Additions & Variations	R 0,82 million
4	Final Project Value	R 37,47 million
5	Contractor	Bambana Management Services
6	Initial Project Period	8 months
7	Time Extensions	5,6 months
8	Total Project Period	13,6 months

Figure 30: Project Summary Table: Access Control Parliamentary Villages

Scope

- ▶ Inter-communication solution for the estates between the Police and residents.
- ▶ Access control equipment installation items.
- ▶ Construction of Gate Houses at the existing Acacia Park, Pelican Park and Laboria Park Parliamentary Villages, comprising of the following:
 - > Guard house, visitor’s centre and change room facilities.
 - > Associated electrical, electronic and mechanical installations.
 - > Major upgrade to access control and CCTV installations that conform to the SANS standards.
 - > Demolition of existing gate house structures.
 - > External works and services directly related to the new gate houses.

History

- ▶ This project experienced project delays and contractor payments stretching over nearly 5 years.
- ▶ There was extension of time claims of 120 days on this project for “Accelerated completion”.

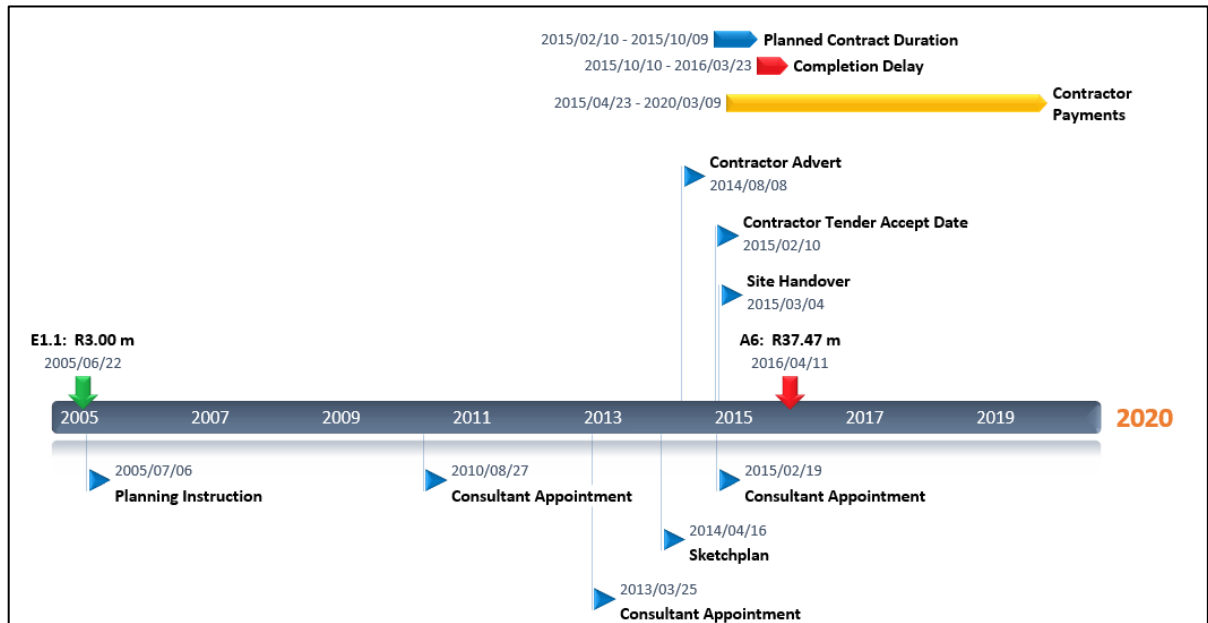


Figure 31: History: Access Control Parliamentary Villages

Estimates and authorisations

- ▶ The project was completed with a cost overrun of 2.2%.
- ▶ The extension of time on this project was R0.82 million, due to accelerating project completion.

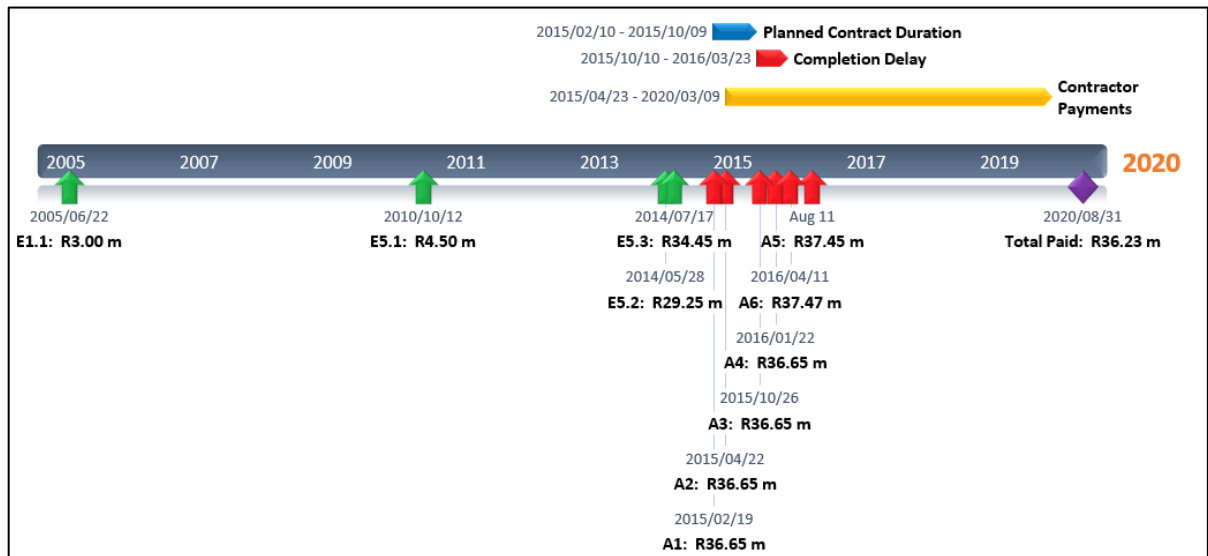


Figure 32: Estimates and Authorisations: Access Control Parliamentary Villages

Comments

- ▶ During the site visit on 22 September 2020, some issues were noted regarding the efficiency of Security and Access Control, which included the following:
 - > The intercom system is not working. The main reason for this is inappropriate selection of technology, which was exacerbated by the lack of appropriate maintenance. A cellphone based system should have been installed, not a wired intercom system.
 - Finding 7: Acacia Park intercom maintenance (page 87).

- > Very little security provided by the SAPS. We asked to see the Park Manager and were waived through. We left the park twice, without being stopped as the (i) access booms were not working and (ii) we were not stopped by the SAPS.
 - Finding 6: Lack of access control at Acacia Park (page 84).
- > The sensors on the perimeter fence are also not working in all places, as the fence is overgrown in parts. The latter should have been rectified long ago, as the tree branches blocking the sensors are quite large.
 - Finding 6: Lack of access control at Acacia Park (page 84).

Project: National Assembly/NCOP/Old Assembly: Replace 19 Lifts

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	11 National Assembly/NCOP/Old Assembly: Replace 19 Lifts
2	Initial Project Value	R 19,43 million
3	Additions & Variations	R -0,87 million
4	Final Project Value	R 18,56 million
5	Contractor	Schindler Lifts SA
6	Initial Project Period	7 months
7	Time Extensions	3 months
8	Total Project Period	10 months

Figure 33: Project Summary Table: National Assembly/NCOP/Old Assembly: Replace 19 Lifts

Scope

- ▶ Existing lifts were originally upgraded by OTIS in 1988 and reached the general lifespan of a lift which is between 20 - 25 years.
 - > 2012/10/11: Planning instruction issued to replace 10 lifts due to the age and non-conformance to the Occupational Health and Safety Act and SANS regulation.
 - > 2013/04/05: 10 cleaning staff were injured when a Marks Building lift malfunctioned and did not stop.
 - > 2013/04/16: Procurement instructions amended after a decision was made to refurbish/replace an additional 7 lifts at 120 Plein Street and 9 lifts at the National Assembly Building.

History

- ▶ Of all the projects reviewed, this project had the shortest timespan (1.5 months) from when the tender was advertised to when the order was placed.

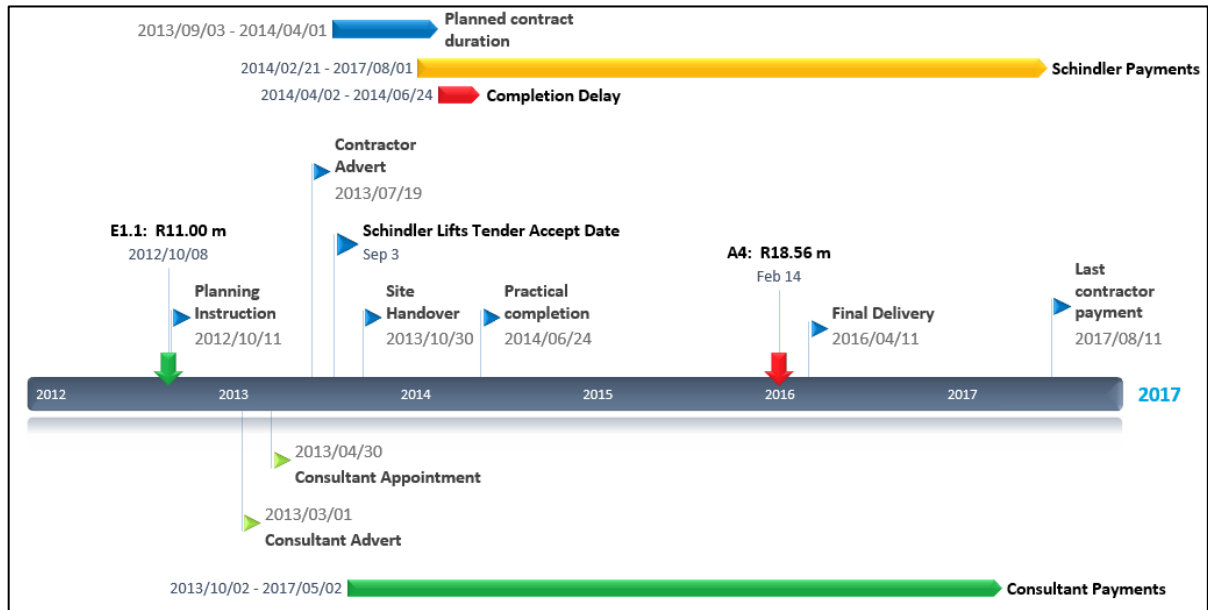


Figure 34: History: National Assembly/NCOP/Old Assembly: Replace 19 Lifts

Estimates and authorisations

- ▶ Although the project had extension of time claims of 90 workdays, the project was completed below budget.

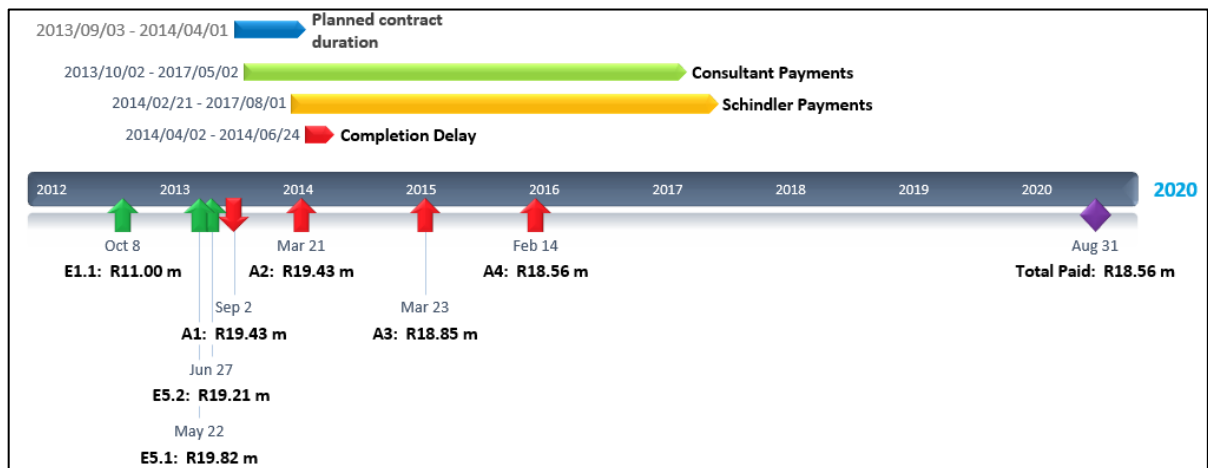


Figure 35: Estimates and Authorisations: National Assembly/NCOP/Old Assembly: Replace 19 Lifts

Comments

- ▶ The project experienced some technical difficulties in interfacing the new and old drive motors on some of the lifts.

Project: Swans Garage Redesign

The project can be summarised in the following manner:

#	Item	Details
1	Project Description	12 Swans Garage Redesign
2	Initial Project Value	R 13,77 million
3	Additions & Variations	R -0,32 million
4	Final Project Value	R 13,45 million
5	Contractor	Nolitha Electrical
6	Initial Project Period	12 months
7	Time Extensions	2,7 months
8	Total Project Period	14,7 months

Figure 36: Project Summary Table: Swans Garage Redesign

Scope

- ▶ The scope of the project was to redesign the garage, to ensure optimal usage of the garage space to accommodate some government printing.

History

- ▶ There was an extension of time claim of 54 workdays due to the late appointment of engineering consultants by the NDPWI.

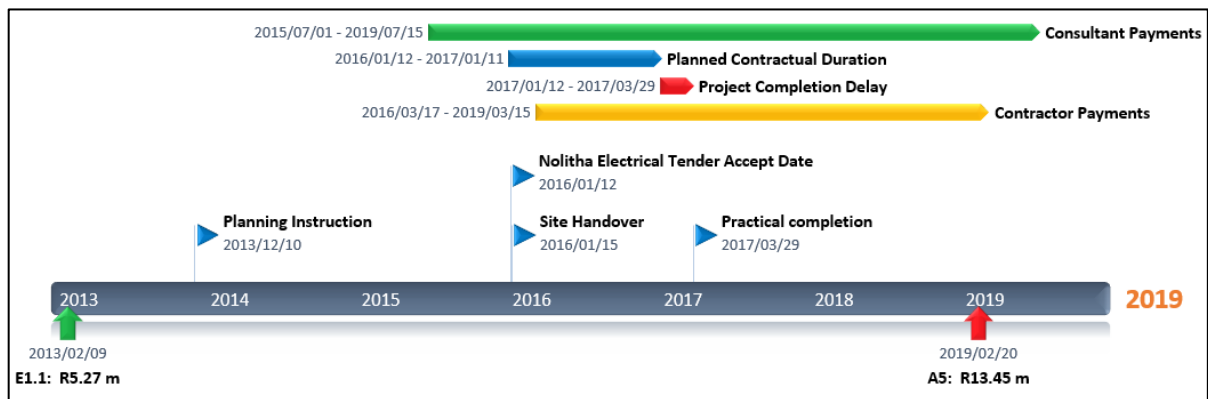


Figure 37: History: Swans Garage Redesign

Estimates and authorisations

- ▶ The project was completed 2.3% below budget.

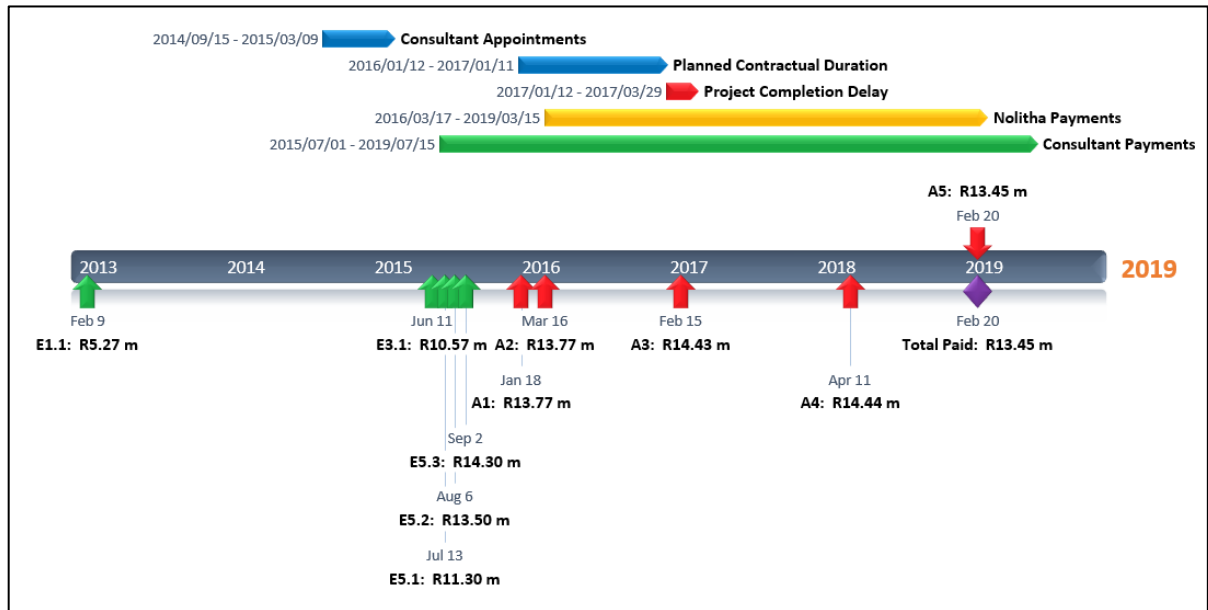


Figure 38: Estimates and Authorisations: Swans Garage Redesign

Comments

- ▶ During the site visit, a leaking roof, floor cracking up, poor building work above roller shutter door, rising damp, and plastic power skirting was noted.
- ▶ The total cost of this refurbishment was R14.2 million.

Audit Results

We assessed the processes identified in the scope for control design adequacy and operating effectiveness.

Adequacy is defined as whether or not a key control addresses the related significant inherent risks.

Effectiveness is defined as whether or not a key control is operating as intended.

The following rating system is used to assess the **audited** control environment related to project implementation for the 12 projects which formed part of the audit scope:

Overall Rating	Description
Unsatisfactory	We cannot provide reasonable assurance regarding the adequacy and effectiveness of the control environment. Immediate corrective action should be implemented.
Weak	General controls are in place, but the adequacy and effectiveness of certain key controls needs improvement. Corrective actions should be implemented as soon as possible.
Satisfactory with room for improvement	Overall a satisfactory control environment. Some improvements have been identified, although immediate corrective action might not be required.
Well managed	We can provide reasonable assurance that the control environment is adequately designed and operating effectively based on the key controls tested during our review.

In order to assist management to assess the impact of the control deficiencies as identified during this review, we have categorised the audit results from matters requiring urgent attention to housekeeping issues:

Finding Rating	Description
Critical	The results of the finding along with the identified effects, should the risk materialise, will have a critical impact on the organisation's financial position / reputation / ability to continue operations. Immediate corrective action at Executive Management level should be taken.
Significant	The results of the finding along with the identified effects, should the risk materialise, will have a significant impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at a Senior Management level should be implemented as soon as possible.
Medium	The results of the finding along with the identified effects, should the risk materialise, could have a serious impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at a Senior Management level should be implemented within the next few months, as delays could increase the potential impact.
Less significant	The results of the finding along with the identified effects, should the risk materialise, poses a less than significant impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at an Operational Management level should be implemented within the next few months, as delays could increase the potential impact.

Finding Rating	Description
Minor	The results of the finding, which is of a housekeeping nature, along with the identified effects, should the risk materialise, poses a minor impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at an Operational Staff level should be implemented within the next few months, as delays could increase the potential impact.

Summary of our assessment of control adequacy

In order to give management a balanced view, we have included a summary of our assessment of the control environment related to project implementation for the 12 projects which formed part of the audit scope. It must be noted that we did not assess the entire control environment based on the predefined scope that we had and have therefore attempted to summarise the control environment in two phases.

Firstly, we have summarised the complexity of the environment and controls that NDPWI and Parliament finds themselves in as follows:

Complex stakeholder environment	Complex physical environment	Construction industry delivery issues	Project management system
<ul style="list-style-type: none"> • Client, with evolving infrastructure needs. • Stringent security / Access requirements • Party politics. • DPW Head Office requirements. 	<ul style="list-style-type: none"> • Heritage buildings. • Aging infrastructure. • Maintenance backlog. • Availability of drawings and other technical information. 	<ul style="list-style-type: none"> • Quality issues. • Skills / Resources / Experience. • Affordability. 	<ul style="list-style-type: none"> • Manual / Outdated Project management systems (planning, document control, reporting). • Aging experienced workforce.

Secondly, we have assessed the control environment per scope received during the quotation process as follows:

Scope item 1	Control Rating: Unsatisfactory
Review of technical information and expenditure of selected projects on status 4 (design stage) to 8 (completion) to reduce capital cost and project failure	
Facilities Management Findings:	Finding Rating:
Finding 1: Inadequate contract planning with regard to FM contracts.	Critical
Finding 2: Inadequate initial scope definition on FM contracts.	Critical
Finding 3: FM contract does not make provision for refurbishment.	Critical
Finding 4: Maintenance responsibility not carried over to FM contractors after maintenance contracts with original equipment manufacturers expire.	Significant
Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management.	Significant

Finding 6: Lack of access control at Acacia Park.	Significant
Finding:	Finding Rating
Finding 7: Acacia Park Intercom maintenance.	Significant
Finding 8: Inadequate garden maintenance in Parliamentary Precinct.	Medium
Project Management Findings	
Finding 9: Project Management System is outdated.	Critical
Finding 10: There is no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management.	Critical
Finding 11: Inaccurate project schedules and excessive extension of time delays.	Critical
Finding 12: Inadequate portfolio and programme management systems.	Critical
Finding 13: Specifications not aligned with long-term low maintenance strategy.	Critical
Finding 14: Project contingency is calculated using an unscientific method.	Critical
Finding 15: Document Information System is outdated.	Critical
Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.	Critical
Finding 17: Lack of Site Safety Management.	Critical
Finding 18: Lack of quality management on refurbishment and upgrade projects.	Critical
Finding 19: Lack of Planning & Fruitless and Wasteful Expenditure - 90 Plein Street 6th Floor refurbishment.	Critical
Finding 20: Ventilation System Design and Fire Protection in the Precinct needs to be reviewed by Fire Consultant.	Significant
Finding 21: Non-compliance to Fire Regulations.	Significant
Finding 22: Fruitless and Wasteful Expenditure - Acacia Park Bar Stools.	Medium

Scope item 2 Review of controls implemented for the improvement of performance monitoring and construction projects Including compliance monitoring (technical) of contracts to meet legislative requirements.	Control Rating: Unsatisfactory
Finding	Finding rating
Finding 9: Project Management System is outdated.	Critical
Finding 11: Inaccurate project schedules and excessive extension of time delays.	Critical
Finding 12: Inadequate portfolio and programme management systems.	Critical
Finding 14: Project contingency is calculated using an unscientific method.	Critical
Finding 15: Document Information System is outdated.	Critical
Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.	Critical
Scope item 3 Review of portfolio analysis and optimization.	
A maturity assessment was conducted on portfolio analysis and optimization and it was found that the NDPWI is on Level 1, the lowest level of portfolio management. This is included in Finding 12: Inadequate portfolio and programme management systems, which includes a comprehensive set of recommendations.	Critical
Scope item 4 Implementation of Combined Assurance processes, (being ahead of AGSA to prevent negative audit outcomes)	
Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes.	Critical
Finding 24: Inadequate Policies and Procedures.	Critical
Finding 25: No gateway review process in place.	Critical
Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy.	Significant
Finding 27: Inadequate capacity of the IA Function.	Significant
Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures	Significant
Finding 29: Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements.	Significant
Finding 30: Fire Protection in heritage assets.	Critical

Scope item 5	
Review the measurable plan of action to improve the key areas of concern on time to plan and complete projects, (i) project delays, (ii) quality of workmanship, (iii) approval of scope changes, (iv) management of cost overruns and fruitless expenditure, project failure prior to design life, nonperforming contracts and handover processes - including facility management contracts and lift contracts.	Control Rating: Unsatisfactory
No evidence could be found of a measurable plan. The recommendations from this report should be incorporated into the plan.	
Scope item 6	
Review the overall management of capital and maintenance projects in the Parliamentary Precinct focusing on the project methodology, planning, resources, processes and implementation.	Control Rating: Unsatisfactory
Finding	Rating
Project Methodology (how)	Finding Ratings
Finding 4: Maintenance responsibility not carried over to FM contractors after maintenance contracts with original equipment manufacturers expire.	Significant
Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management.	Significant
Finding 9: Project Management System is outdated.	Critical
Finding 10: There is no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management.	Critical
Finding 14: Project contingency is calculated using an unscientific method.	Significant
Project Planning	
Finding 1: Inadequate contract planning with regard to FM contracts.	Critical
Finding 2: Inadequate initial scope definition on FM contracts.	Critical
Finding 3: FM contract does not make provision for refurbishment.	Critical
Finding 11: Inaccurate project schedules and excessive extension of time delays.	Critical
Finding 12: Inadequate portfolio and programme management systems.	Critical

Project Resources (with what)	
Finding 7: Acacia Park Intercom maintenance.	Significant
Finding 13: Specifications not aligned with long-term low maintenance strategy.	Critical
Finding 27: Inadequate capacity of the IA Function.	Significant
Finding 29: Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements.	Significant
Project Processes and implementation	
Finding 6: Lack of access control at Acacia Park.	Significant
Finding 15: Document Information System is outdated.	Critical
Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.	Critical
Finding 8: Inadequate garden maintenance in Parliamentary Precinct.	Significant
Finding 17: Lack of Site Safety Management.	Critical
Finding 18: Lack of quality management on refurbishment and upgrade projects.	Critical
Finding 19: Lack of Planning & Fruitless and Wasteful Expenditure - 90 Plein Street 6th Floor refurbishment.	Critical
Finding 21: Non-compliance to Fire Regulations.	Significant
Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes.	Critical
Finding 22: Fruitless and Wasteful Expenditure - Acacia Park Bar Stools.	Medium
Finding 24: Inadequate Policies and Procedures.	Critical
Finding 25: No gateway review process in place.	Critical
Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy.	Medium
Finding 27: Inadequate capacity of the IA Function	Significant
Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures.	Significant
Scope item 7	
Review of the controls on a plan on how to bridge the gap between project mode and normal operations.	Control Rating: Unsatisfactory
Finding 11: Inaccurate project schedules and excessive extension of time delays. It is a planning and stakeholder engagement issue.	Critical

Conclusion

Based upon the work performed and the results obtained, we can conclude that the current key controls that management has implemented related to the implementation of the 12 reviewed projects are **not adequately designed or implemented** to mitigate key risks.

We remain concerned that management, with the existing lack of human resources, skills and systems, want to manage the FM portfolio of Parliament. Management does not have the capacity to do so.

Furthermore, management should consider the recommendations in the “Detailed results and management action plans” section of this report and implement corrective action where necessary.

Based on the above, the audit rating for this report is as follows

Rating	Description
Unsatisfactory	We cannot provide reasonable assurance regarding the adequacy and effectiveness of the control environment. Immediate corrective action should be implemented.

We take this opportunity to thank all staff and management from NDPWI and Parliament who assisted us during the review and enabled us to complete the project in 4 weeks shorter than originally anticipated.



C van Antwerpen

Head of Public Sector Advisory

BDO Advisory (Pty)Ltd



SECTION III & IV: DETAILED FINDINGS

Summary of Results

In order to assist management to assess the impact of the control deficiencies as identified during this review, we have categorised the audit results in tabular form from matters requiring urgent attention to housekeeping issues using the below rating scale:

Finding Rating	Description
Critical	The results of the finding along with the identified effects, should the risk materialise, will have a critical impact on the organisation's financial position / reputation / ability to continue operations. Immediate corrective action at Executive Management level should be taken.
Significant	The results of the finding along with the identified effects, should the risk materialise, will have a significant impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at a Senior Management level should be implemented as soon as possible.
Medium	The results of the finding along with the identified effects, should the risk materialise, could have a serious impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at a Senior Management level should be implemented within the next few months, as delays could increase the potential impact.
Less significant	The results of the finding along with the identified effects, should the risk materialise, poses a less than significant impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at an Operational Management level should be implemented within the next few months, as delays could increase the potential impact
Minor	The results of the finding, which is of a housekeeping nature, along with the identified effects, should the risk materialise, poses a minor impact on the organisation's financial position / reputation / ability to continue operations. Corrective action at an Operational Staff level should be implemented within the next few months, as delays could increase the potential impact.

We have included a summary of our data analysis (Section III), which forms the foundation for our results/findings. Our detailed results/findings (Sections IV, V, VI and VII) have been grouped according to the below six groups. We have also separated the Facilities Management (FM) and Project Management results into both strategic and operational findings:

- ▶ FM: Strategic Findings;
- ▶ FM: Operational and Site Findings;
- ▶ Project Management: Strategic Findings;
- ▶ Project Management Operational and Site Findings;
- ▶ Combined Assurance; and
- ▶ Value Add Findings.

Summary of Result Ratings

Summary of our results are depicted below. No Minor or Less significant findings were identified and therefore we are only reflecting the Medium - Critical findings.

Scope area		Total	Medium	Significant	Critical
Facilities Management	Strategic	5		2	3
	Operational and Site	3	1	2	
Project Management	Strategic Findings	8			8
	Operational and Site	6	1	2	3
Combined Assurance	Strategic	7		4	3
Value Add Findings	Operational and Site	1			1
Total		30	2	10	18

Our summary of findings are as follows:

Finding	Rating
Finding 1: Inadequate contract planning with regard to FM contracts.	Critical
Finding 2: Inadequate initial scope definition on FM contracts.	Critical
Finding 3: FM contract does not make provision for refurbishment.	Critical
Finding 4: Maintenance responsibility not carried over to FM contractors after maintenance contracts with original equipment manufacturers expire.	Significant
Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management.	Significant
Finding 6: Lack of access control at Acacia Park.	Significant
Finding 7: Acacia Park Intercom maintenance.	Significant
Finding 8: Inadequate garden maintenance in Parliamentary Precinct.	Medium
Finding 9: Project Management System is outdated.	Critical
Finding 10: There is no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management.	Critical
Finding 11: Inaccurate project schedules and excessive extension of time delays.	Critical

Finding	Rating
Finding 12: Inadequate portfolio and programme management systems.	Critical
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Finding 21: Non-compliance to Fire Regulations.	Significant
Finding 22: Fruitless and Wasteful Expenditure - Acacia Park Bar Stools.	Medium
Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes.	Critical
Finding 24: Inadequate Policies and Procedures.	Critical
Finding 25: No gateway review process in place.	Critical
Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy.	Medium
Finding 27: Inadequate capacity of the IA Function	Significant
Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures	Critical
Finding 29 Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements	Significant
Finding 30: Fire Protection in heritage assets.	Critical

SECTION III: DATA ANALYSIS

Since a significant amount of data was collected from WCS, 5 outcomes were identified. This section contains these outcomes.

Outcome 1: All projects are delayed, with some delays being significant

The detail from the data analysis is presented on the next page. All the refurbishment and upgrade projects were delivered late, with the lowest being 22.8% over schedule, and the highest 186% over schedule.

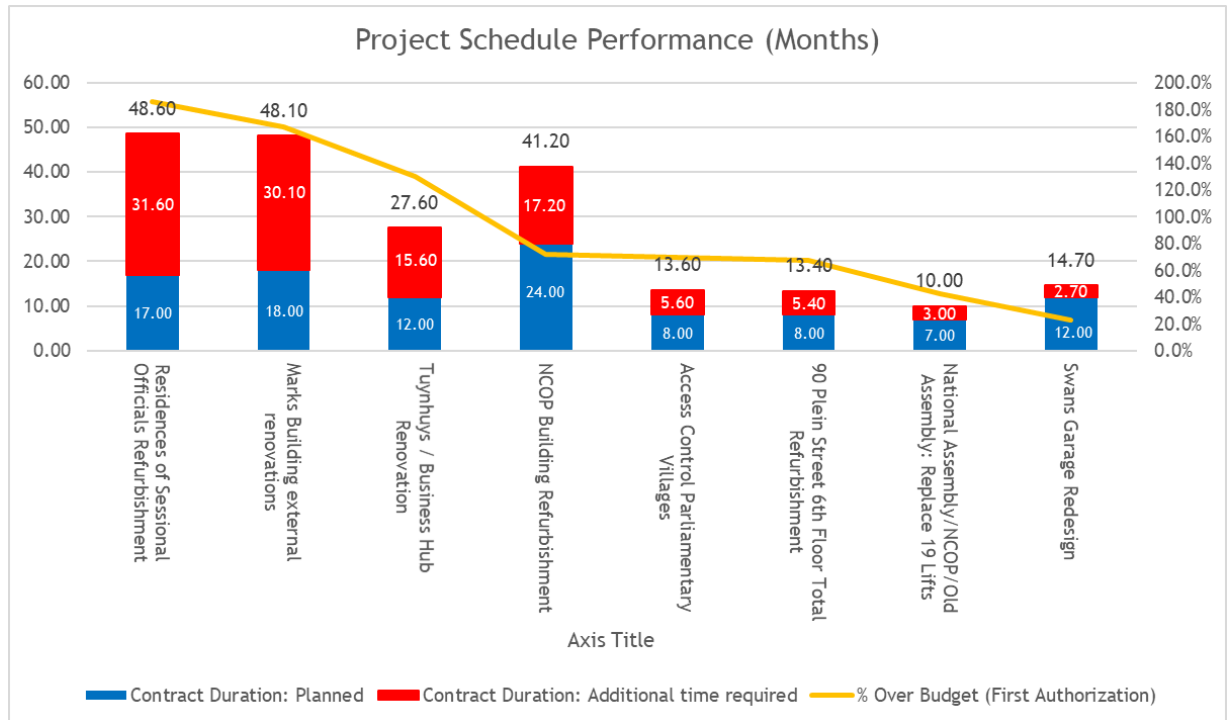


Figure 39: Project Schedule Performance

As per the table below, there were 1 447 working days for Extension of Time (EOT), of which site access contributed 1 172 days (81.0%).

This is a systemic issue and appears not to be addressed in the project schedules.

The site access issues relate to decanting, security access delays and work stoppages by Parliament (user department).

Type	Detail Description	NCOP Building Refurbishment	Tuynhuys / Business Hub Renovation	Marks Building external renovations	90 Plein Street 6th Floor Total Refurbishment	National Assembly/NCOP /Old Assembly: Replace 19 Lifts	Swans Garage Redesign	Grand Total	%
NDPWI / Project / Technical	Asbestos				97			97	
	Condition of Existing Building	69						69	
	Inclement Weather		3	4				7	
	Lack of Storage Space					5		5	
	Late appointment of Engineer by NDPWI						53	53	
	Technical Difficulties				9	35		44	
	TOTAL		69	3	4	106	40	53	275
Site Access	Decanting / Alternative site requirements	123		393				516	
	Election / Death of Nelson Mandela				1	8		9	
	Legal Process		22					22	
	Occupied building / Continued Services	66						66	
	Parliamentary calendar			35	3	7	1	46	
	Security clearance delay			132		30		162	
	Work stoppages by user department		321	25		5		351	
	TOTAL		189	343	585	4	50	1	1172
GRAND TOTAL		258	346	589	110	90	54	1447	

Figure 40: Extension of Time Claims

Outcome 2: Not all projects are over budget

12 Projects were audited of which we do not include the two facilities management contracts and the project stopped. Of the remaining 9 refurbishment and upgrade projects, 4 were over budget, as displayed in the next graph.

The comparison is made between the initial authorization and the last authorization. The additional costs on Marks' Building was a result of site access delays, and the additional funds on the Residences for Sessional Officials was additional scope which was added to the project.

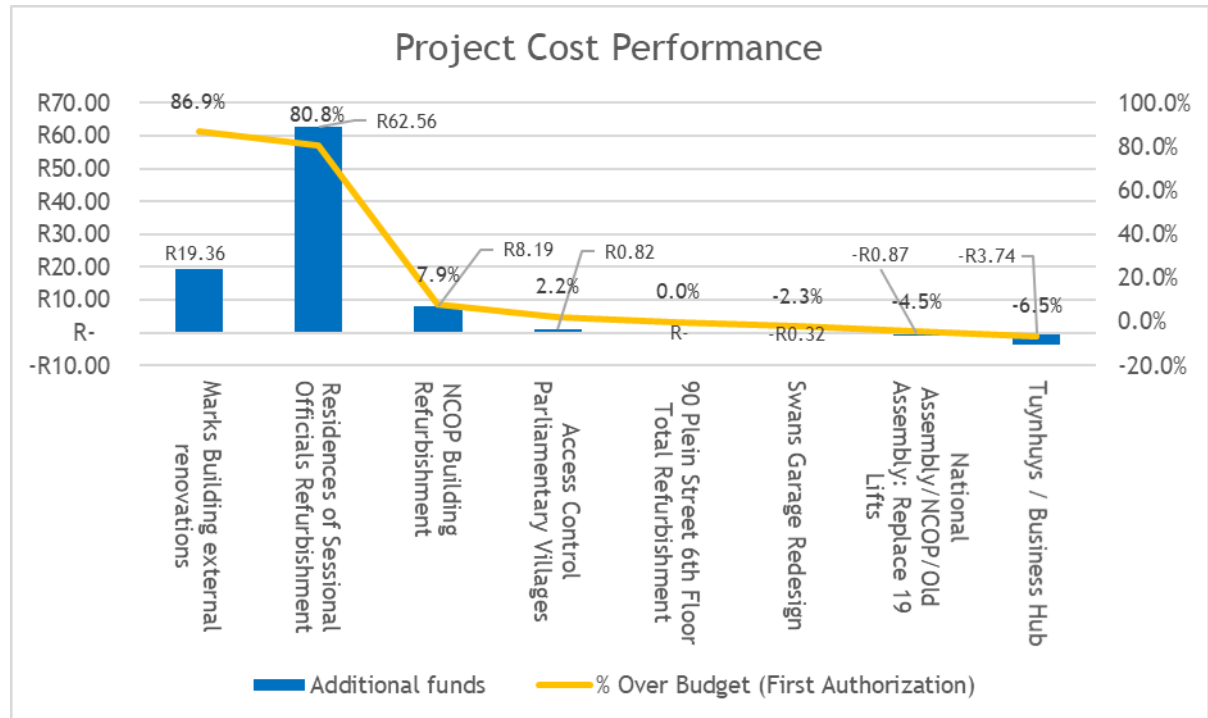


Figure 41: Project Cost Performance

Outcome 3: Extension of Time claims are mostly attributed to Site Access and Security Delays

An analysis was conducted on Extension of Time claims and it was found that 81% of the 1447 workdays claimed were made up by site access delays (in red on graph).

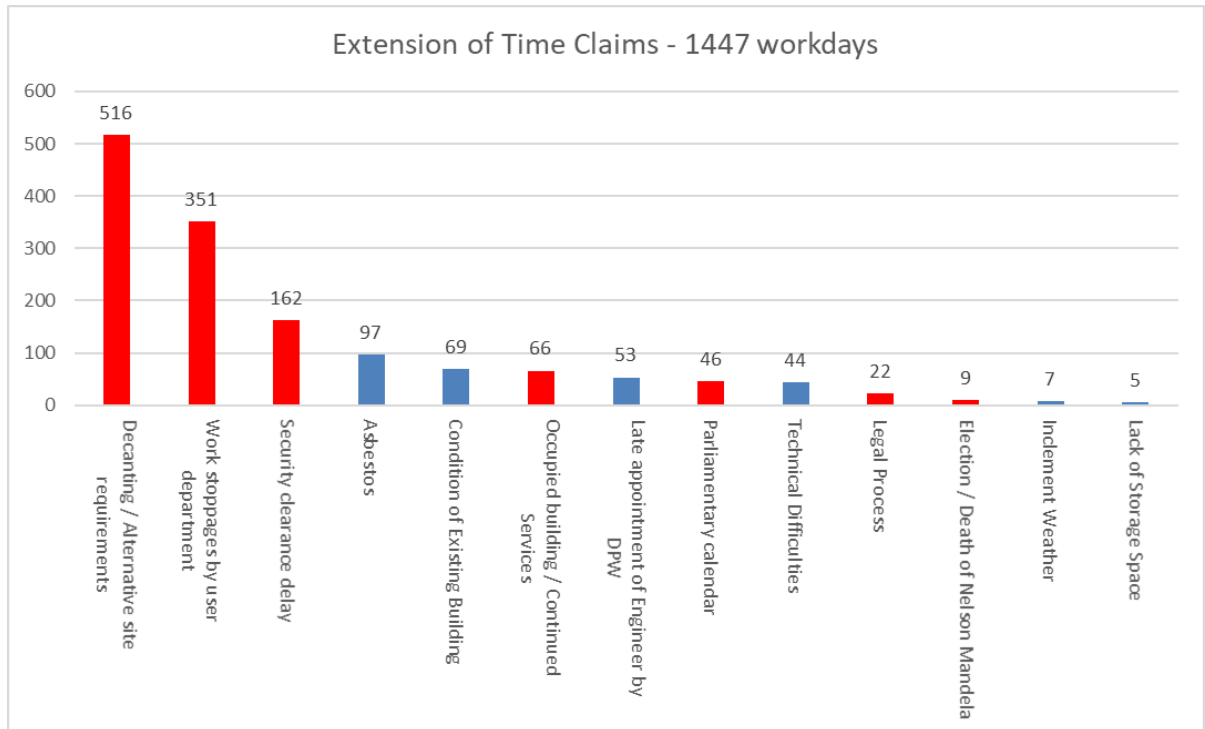


Figure 42: Extension of Time Claims

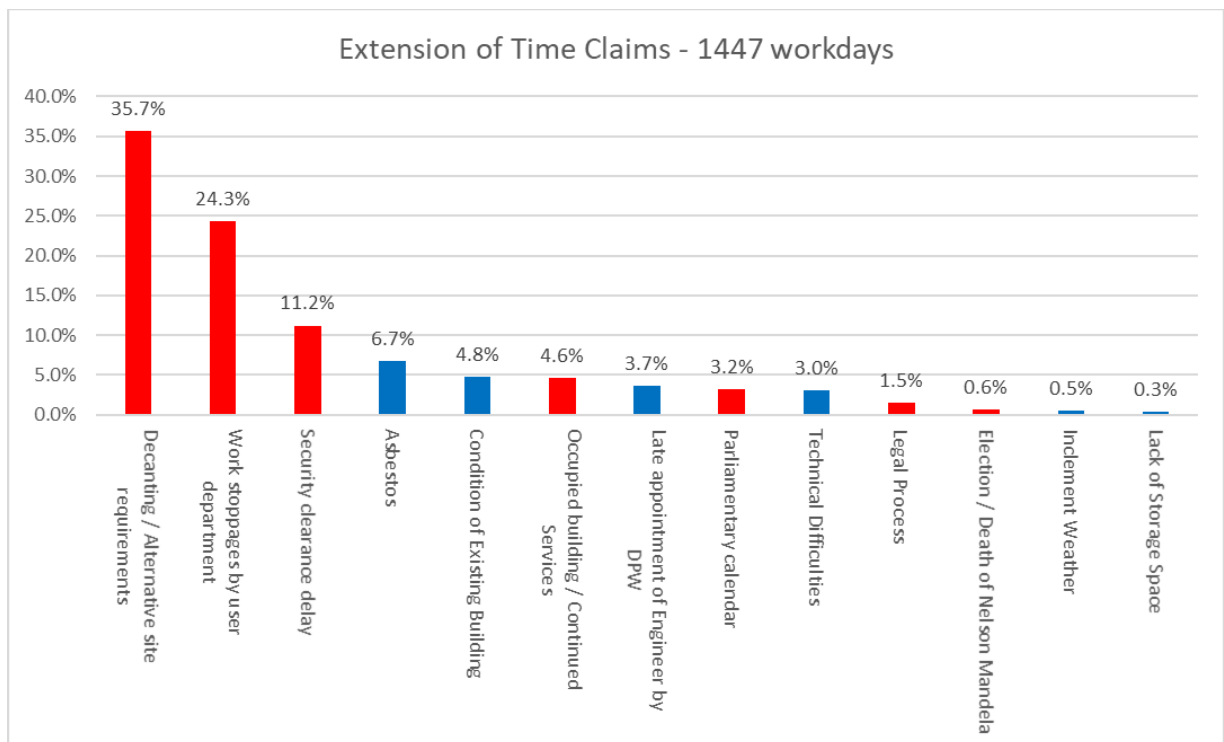


Figure 43: Extension of Time Claim - %

Outcome 4: Up to 10 years between planning instruction and work starting on-site

An analysis was conducted between the time planning instructions are issued, and when the actual site handover takes place. The minimum is 0.9 years. For 4 of the 10 projects, the time was more than 9.6 years.

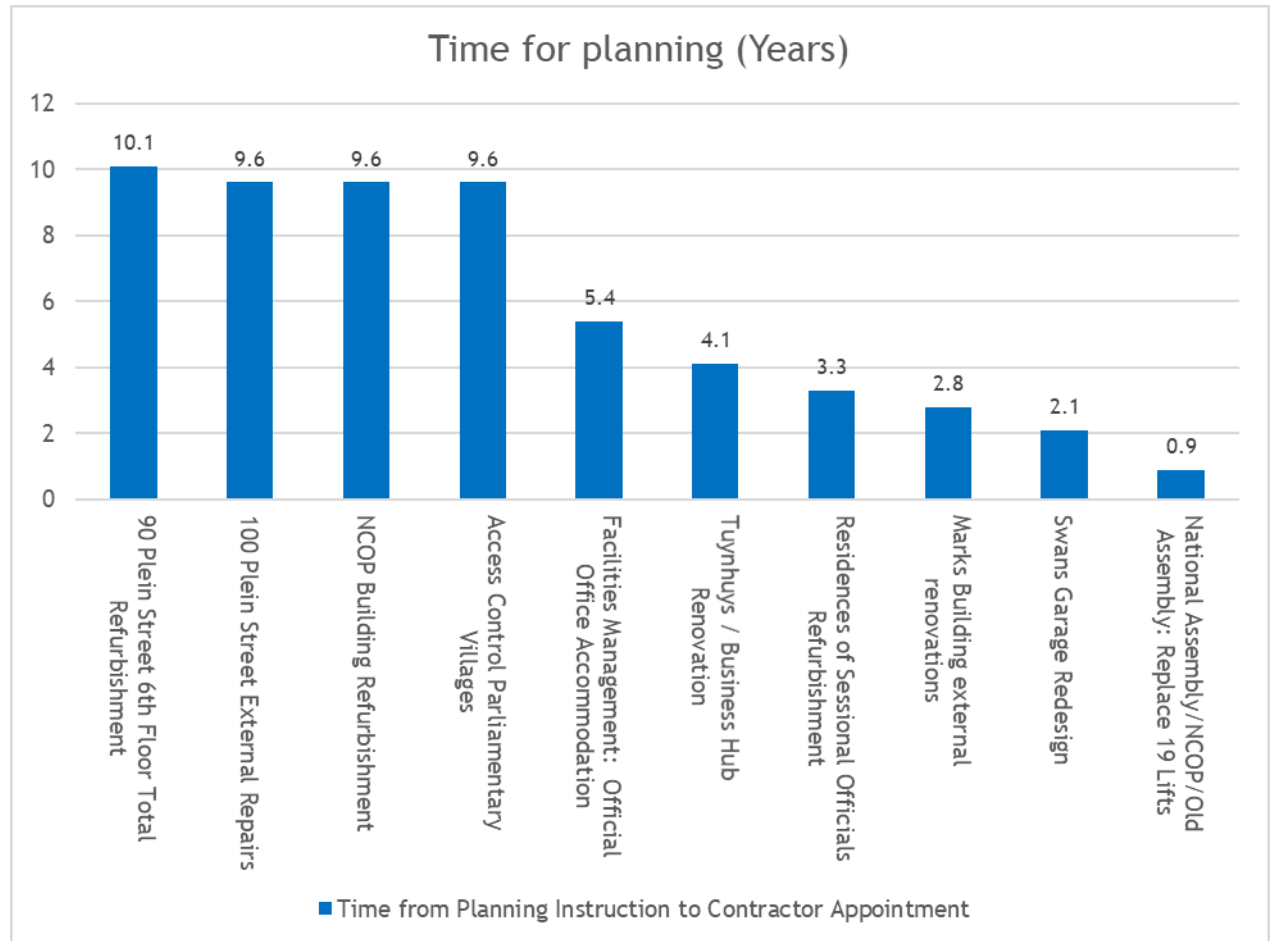


Figure 44: Time for Planning

Outcome 5: Procurement takes on average 5.3 months

An analysis was conducted of the period between the tender advertisement and the time the order is placed. One of the projects (90 Plein Street) was 26.5 months, which was excluded from the average, as this data point is an anomaly. If it is included, the average becomes 7.1 months.

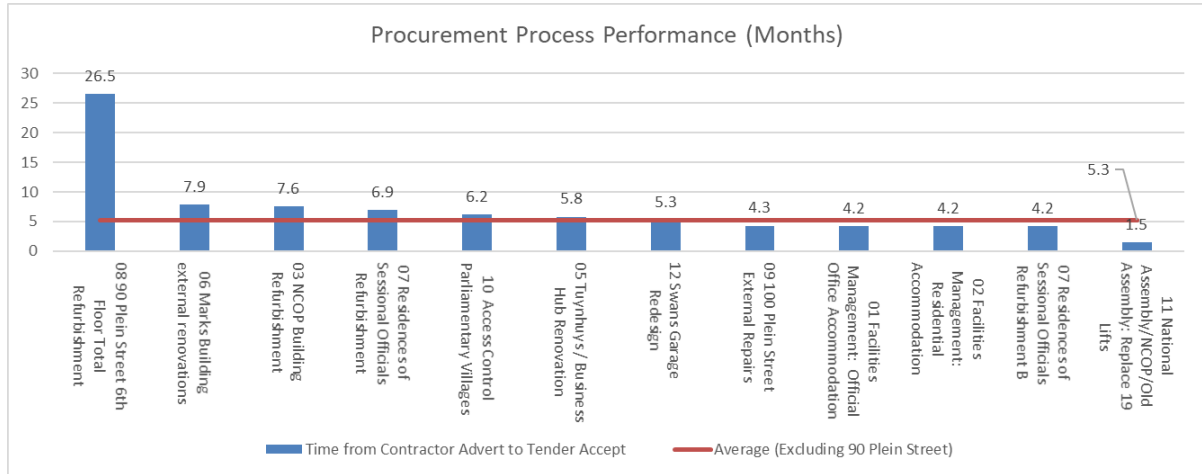


Figure 45: Procurement schedule performance

Data analysis: All Data - Schedule and Cost

	FM: Official Office Accommodation	FM: Residential Accommodation	NCOP Building Refurbishment	Belvedere Building Refurbishment	Tuynhuys / Business Hub Renovation	Marks Building external renovations	Residences of Sessional Officials Refurbishment	Residences of Sessional Officials Refurbishment B	90 Plein Street 6th Floor Total Refurbishment	100 Plein Street External Repairs	Access Control Parliamentary Villages	National Assembly/NCOP/IO Id Assembly: Replace 19 Lifts	Swans Garage Redesign
PLANNING													
Planning Instruction	2009/03/17		2007/09/08	2007/01/31	2011/09/30	2012/07/14	2006/09/15		2008/04/16	2010/08/04	2005/07/06	2012/10/11	2013/12/10
Consultant Appointment	2010/09/29	2010/09/29	2011/08/15	2007/03/09	2011/11/08	2012/08/14	2006/12/22	Already in place	2008/05/20	2010/01/29	2010/10/03	2013/04/30	2014/09/15
Consultant Nomination for Routine Assignment						2013/04/28			2008/05/21				2015/08/13
Consultant first payment	2010/11/25	2011/03/04	2011/10/06	2010/03/18	2012/02/07	2012/11/22	2009/07/04		2015/12/14	2010/11/24	2010/11/15	2013/10/02	2015/04/20
Consultant Report Completion / Sketchplan			2012/10/25	2007/11/05	2014/11/20				2015/03/26	2012/12/12	2014/04/16	Not applicable	2015/05/30
Consultant last payment	2013/11/25	2013/12/13	Ongoing	2010/03/10	2017/09/04	2019/10/01	2011/01/21	202/05/19	2019/11/08	Ongoing	2020/01/01	2017/05/02	2015/08/17
EXECUTION													
Contractor Bid Specification					2015/04/13		2009/11/19				2014/06/28	2013/07/03	
Contractor Advert	2014/04/15	2014/04/15	2016/09/02		2015/05/08	2014/08/22	2009/05/22	2015/03/27	2016/03/18	2019/11/01	2014/08/08	2013/07/19	2015/08/07
Contractor Closing	2014/05/15	2014/05/15	2016/10/05		2015/06/10	2014/09/25	2009/06/10	2015/04/29	2016/04/20	2019/11/08	2014/09/10	2013/08/21	2015/09/09
Contractor Closing Extension	2014/05/29	2014/05/29											
Contractor Closing Final	2014/05/29	2014/05/29	2016/10/05		2015/06/10	2014/09/25	2009/06/10	2015/04/29	2016/04/20	2019/11/08	2014/09/10	2013/08/21	2015/09/09
Contractor Validity	2014/07/24	2014/07/24	2016/11/30		2015/08/05	2014/11/20	2009/07/22	2015/06/24	2016/06/15	2020/01/03	2014/11/05	2013/10/16	2015/11/04
Contractor Validity Extension			2017/03/29		2015/11/02	2015/05/06	2009/12/07	2015/08/21	2018/04/26		2015/02/20		2016/01/18
Contractor Bid Evaluation					2015/08/12	2015/03/04	2009/11/14	2009/11/14	2016/08/29		2015/02/16	2013/08/29	
Contractor Bid Adjudication		2014/08/14	2016/11/22		2015/10/23	2015/03/04	2009/11/15	2009/11/15	2016/09/27		2015/02/17	2013/08/30	
Contractor Tender Accept	2014/08/20	2014/08/20	2017/04/18		2015/10/30	2015/04/15	2009/12/15	2015/07/31	2018/05/21	2020/03/10	2015/02/10	2013/09/03	2016/01/12
Site Handover	2014/10/07	2014/10/01	2017/05/11		2015/12/09	2016/03/07	2010/02/02	2015/08/17	2018/06/11	2020/06/08	2015/03/04	2013/10/30	2016/01/15
Contractor first payment	2014/11/20	2014/11/20	2017/07/09		2016/02/09	2016/03/23	2010/02/26	2015/10/02	2018/08/14			2014/02/21	2016/03/17

Department of Public Works and Infrastructure
Review of Parliament Prestige Construction Projects Performance
October 2020

	FM: Official Office Accommodation	FM: Residential Accommodation	NCOP Building Refurbishment	Belvedere Building Refurbishment	Tuynhuys / Business Hub Renovation	Marks Building external renovations	Residences of Sessional Officials Refurbishment	Residences of Sessional Officials Refurbishment B	90 Plein Street 6th Floor Total Refurbishment	100 Plein Street External Repairs	Access Control Parliamentary Villages	National Assembly/NCOP/Old Assembly: Replace 19 Lifts	Swans Garage Redesign	
Contractual Practical Completion	2019/08/19	2019/08/19	2019/04/17		2016/10/29	2016/10/14	2011/05/16	2018/07/30	2019/01/21	2021/03/09	2015/10/09	2014/04/02	2017/01/11	
Contractual Practical Completion Extension	2020/11/18	2020/11/18	2020/09/06		2018/02/03	2019/03/28	2013/12/13	2018/09/28	2019/06/28	2021/07/01	2016/03/23	2014/07/01	2017/03/29	
Contractor last payment	2020/08/31	2020/08/31	2020/08/28		2019/07/09	2020/08/31	2013/11/20	2020/07/06	2020/09/10		2020/03/09	2017/08/11	2019/03/15	
Status	Ongoing	Ongoing	Ongoing	Stopped	Complete	Complete	Complete	Complete	Complete	Ongoing	Complete	Complete	Complete	
SYSTEM SCHEDULE PERFORMANCE														
Time from Planning Instruction to Contractor Appointment	+ 5.4 years	Missing date	+ 9.6 years	Stopped	+ 4.1 years	+ 2.8 years	+ 3.3 years	Missing date	+ 10.1 years	+ 9.6 years	+ 9.6 years	+ 0.9 years	+ 2.1 years	
Time from first consultant payment to first contractor payment	+ 3.9 years	+ 3.9 years	+ 5.7 years		+ 4.0 years	+ 2.7 years	+ 3.0 years	+ 0.0 years	+ 10.0 years	+ 10.1 years	+ 4.4 years	+ 0.3 years	+ 1.3 years	
PROCUREMENT SCHEDULE PERFORMANCE														
Time from Bid Closing to Bid Adjudication	Missing date	+ 2.6 months	+ 1.6 months	Stopped	+ 4.5 months	+ 5.3 months	+ 5.3 months	+ -66.4 months	+ 5.3 months	Missing date	+ 5.3 months	+ 0.3 months	Missing date	
Time from Evaluation to Adjudication	Missing date	Missing date	Missing date		+ 2.4 months	+ 0.0 months	+ 0.0 months	+ 0.0 months	+ 1.0 months	Missing date	+ 0.0 months	+ 0.0 months	+ 0.0 months	Missing date
Time from Contractor Advert to Tender Accept	+ 4.2 months	+ 4.2 months	+ 7.6 months		+ 5.8 months	+ 7.9 months	+ 6.9 months	+ 4.2 months	+ 26.5 months	+ 4.3 months	+ 6.2 months	+ 1.5 months	+ 5.3 months	
PROJECT MANAGEMENT PERFORMANCE														
Time from Contractor Contract Acceptance to Site Access	+ 6.9 weeks	+ 6.0 weeks	+ 3.3 weeks	Stopped	+ 5.7 weeks	+ 46.7 weeks	+ 7.0 weeks	+ 2.4 weeks	+ 3.0 weeks	+ 12.9 weeks	+ 3.1 weeks	+ 8.1 weeks	+ 0.4 weeks	
Time from Contractor Contract Acceptance to First Payment	+ 3.1 months	+ 3.1 months	+ 2.7 months		+ 3.4 months	+ 11.4 months	+ 2.4 months	+ 2.1 months	+ 2.8 months	None yet	+ -1 401.5 months	+ 5.7 months	+ 2.2 months	
Contract duration: Planned	60 Months	60 Months	24 Months		12 months	18 months	17 Months	36 Months	8 months	12 months	8 months	7 months	12 months	
Contract duration: Additional time required	+ 16.1 months	+ 16.1 months	+ 17.2 months		+ 15.6 months	+ 30.1 months	+ 31.6 months		+ 5.4 months	+ 3.9 months	+ 5.6 months	+ 3.0 months	+ 2.7 months	
Contract duration: Actual total	76.1 months	76.1 months	41.2 months		27.6 months	48.1 months	48.6 months	38.5 months	13.4 months	15.9 months	13.6 months	10.0 months	14.7 months	
% Over Schedule	26.8%	26.8%	71.8%		129.7%	167.2%	186.1%		67.9%	32.8%	69.6%	43.3%	22.8%	

	FM: Official Office Accommodation	FM: Residential Accommodation	NCOP Building Refurbishment	Belvedere Building Refurbishment	Tuynhuys / Business Hub Renovation	Marks Building external renovations	Residences of Sessional Officials Refurbishment	Residences of Sessional Officials Refurbishment B	90 Plein Street 6th Floor Total Refurbishment	100 Plein Street External Repairs	Access Control Parliamentary Villages	National Assembly/NCOP/Old Assembly: Replace 19 Lifts	Swans Garage Redesign
PROJECT COST PERFORMANCE													
Authorisation 1	R357.49	R 312.16	R 103.20	Stopped	R 57.80	R 22.27	R 77.46	Same as on left.	R 25.93	R 18.28	R 36.65	R 19.43	R 13.77
Final Authorisation	R519.45	R 506.88	R 111.39		R 54.06	R 41.63	R 140.01		R 25.93	R 18.28	R 37.47	R 18.56	R 13.45
Difference	45.3%	62.4%	7.9%		-6.5%	86.9%	80.8%		0.0%	0.0%	2.2%	-4.5%	-2.3%
Contractor Payments to date	R491.88	R 472.16	R 81.61		R 54.01	R 40.76	R 149.13		R 20.93		R 36.23	R 18.56	R 13.45
Contractor Payments to date / Last Authorisation	94.7%	93.1%	73.3%		99.9%	97.9%	106.5%		80.7%		96.7%	100.0%	100.0%
Consultant Fees to date	R15.30	R 18.54	R 10.12	R 0.25	R 18.86	R 9.32	R 35.28		R 4.93	R 5.82	R 8.23	R 0.81	R 0.73
Total Payments to date (incl. Consultants)	R507.18	R 490.69	R 91.73	R 0.25	R 72.87	R 50.09	R 184.41		R 25.86	R 5.82	R 44.45	R 19.37	R 14.18
Left in budget	R27.57	R 34.73	R 29.78	Stopped	R 0.05	R 0.86	-R 9.12		R 5.00	R 18.28	R 1.24	R-	R-
Consultant / Contractor Expenditure to date	3.1%	3.9%	12.4%		34.9%	22.9%	23.7%		23.5%	Nothing to date	22.7%	4.4%	5.4%

Figure 46: All Project Schedule and Cost Data

Note to reader: Project information that was not available on file was not populated in the above table and therefore highlighted in red.

SECTION IV: FACILITIES MANAGEMENT

STRATEGIC FINDINGS

Finding 1: Inadequate contract planning with regard to FM contracts

Finding Rating	Critical
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Criteria

The criteria are presented in terms of Public Finance Management Act (PFMA), Treasury Regulations, Government Immovable Asset Management Act (GIAMA), the CIDB’s National Infrastructure Asset Maintenance Management (NAIMMS), the NDPWI’s Risk Management Policy and Risk Register.

Control/Evidence required
<p>Public Finance Management Act</p> <p>Section 38 of the PFMA:</p> <p>“(1) The accounting officer for a department, trading entity or constitutional institution -</p> <ul style="list-style-type: none"> (a) must ensure that that department, trading entity or constitutional institution has and maintains - (i) effective, efficient and transparent systems of risk management and internal control (b) is responsible for the effective, efficient, economical and transparent use of the resources of the department (d) is responsible for the management, including safeguarding and maintenance of the assets....” <p>Treasury Regulations:</p> <p>3.2 A supply chain management system referred to in paragraph 16A.3.1 must -</p> <ul style="list-style-type: none"> (a) be fair, equitable, transparent, competitive and cost effective; (d) provide for at least the following: - <ul style="list-style-type: none"> (i) demand management; (ii) acquisition management; (iii) logistics management; (iv) disposal management; (v) risk management; and (vi) regular assessment of supply chain performance. <p>GIAMA: Principles of immovable asset management:</p> <p>5. (1) The following are principles of immovable asset management:</p> <ul style="list-style-type: none"> d) immovable assets that are currently used must be kept operational to function in a manner that supports efficient service delivery; <p>National Infrastructure Asset Management Maintenance Standard</p>

Control/Evidence required

The strategy states the following with regards to Maintenance:

“Maintaining infrastructure comes at a cost, but this is a prudent investment which will save government significantly in the medium to long term and will promote both economic and human capital development”

NDPWI Risk Management Policy:

The objectives of the Department's Risk Management Policy are to ensure that the risks arising from the strategic objectives, programmes and projects planned are identified and prioritised (Department of Public Works, 2019).

Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work (Department of Public Works, 2019).

1.8. Risk Management Principles

The following are key risk management principles which are essential for a successful risk management process in the department:

- I. The annual strategic planning and budgeting processes shall include risk assessments.
- II. Risk assessments will be conducted by Risk Management Unit once annually and/or whenever there have been changes in environment.
- III. Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work.

NDPWI 2019 / 2020 Risk Register for the Property Management Trading Entity

Strategic Goals: To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.

Finding - Poor contract procurement / demand planning

- ▶ The FM (FM) contracts have a history of not being in place continuously.
 - > When the DSVH contract came to an end in August 2011, in-house maintenance took place for nearly 3,5 years. When AFSM and Broll were appointed, significant maintenance backlogs existed.
- ▶ The current FM contracts for both AFSM (Office Accommodation - Project number 046547) and Broll (Residential accommodation - Project number 046548) came to an end on 19 August 2019 and were extended, by the Department to 18 November 2020.
 - > The procurement processes related to acquisition management for new FM contractors were initiated in February 2020 and not yet concluded.

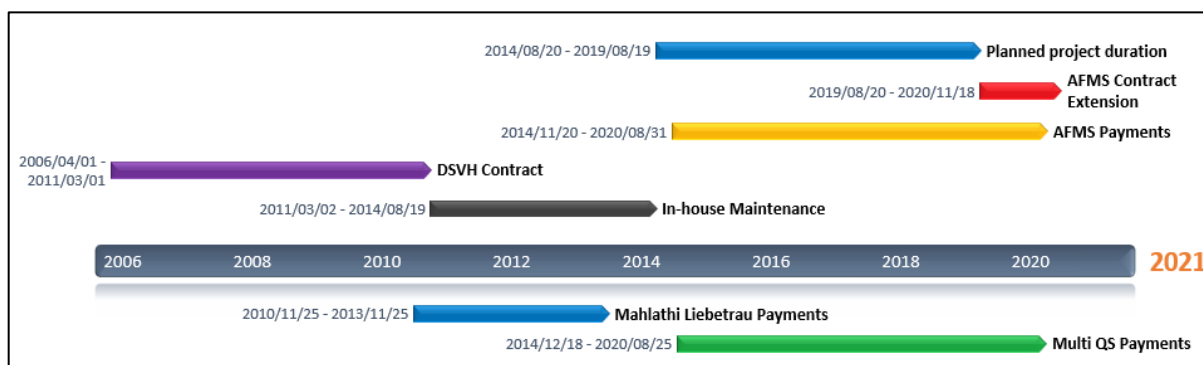


Figure 47: AFMS Contract timeline

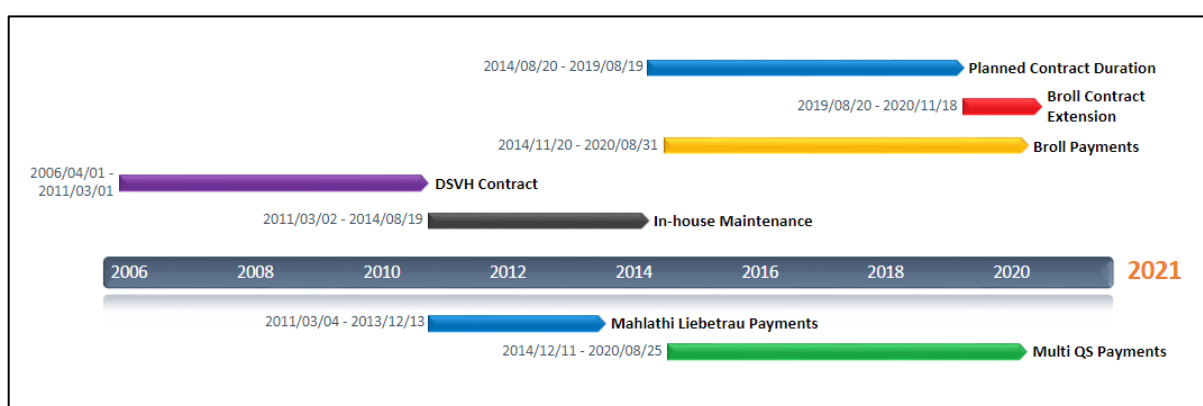


Figure 48: Broll Contract timeline

- ▶ It is important to note that the Consultant, Multi QS, is responsible for ensuring that payments made according to these contracts are accurate and provide value for money. During consultations with AFMS and Broll, it was mentioned that Multi QS is thorough and frugal in assessing costs - which is a positive.
- ▶ Management has confirmed that National Treasury has advised that the two FM contracts cannot be renewed beyond 18 November 2020.
- ▶ The NDPWI's plan is to manage these in-house until suitable FM contractors can be appointed.
- ▶ 2019 Supply Chain Management process:
 - > Two tenders were advertised on 24 May 2019, which had a tender closing date of 14 June 2019.
 - > CPTC 003/19 Cape Town: Provision of Integrated FM Services for Parliamentary Residential Accommodation for a five-year period (2019-2024).
 - > CPTC 004/19 Cape Town: Parliamentary Precinct: Official Office Accommodation: Provide Integrated FM Services for a five-year period (2019-2024).
 - > On 28 January 2020, the register stated that both tenders were disqualified due to irregularities.
- ▶ 2020 Supply Chain Management process:
 - > Two tenders were advertised on 14 February 2020, which had a tender closing date of 6 March 2020:
 - > CPTC 008/19 Cape Town: Provision of Integrated FM Services for Parliamentary Residential Accommodation for a five-year period (2019-2024).
 - > CPTC 009/19 Cape Town: Parliamentary Precinct: Official Office Accommodation: Provide Integrated FM Services for a five-year period (2019-2024).
 - > The tender description is already outdated with the years under review indicating 2019 and not 2020;

- ▶ If specifications, similar to those used previously, we can conclude that the Specifications and Scope are inadequate and it would not allow bidders to adequately cost according to the requirements.

Finding - Poor Departmental Risk Management

- ▶ A total of R964.02 million actual spend has been incurred up to the end of August 2020 on the two FM contractors since November 2014, which represents a significant portion (69.9%) of the capital spend on the 12 projects under review.
- ▶ A reasonable expectation from Risk Management would have been that the gaps in the maintenance contracts would appear on the operational risk register, as it represents substantial expenditure, together with the potential of maintenance backlogs and customer dissatisfaction from the Parliamentary stakeholders.
- ▶ The risk registers do not reflect the risks specifically and we could not be provided with project risk registers either where the risks are actively managed by the project managers within NDPWI.

Finding - Inadequate internal capacity to perform the function of FM

- ▶ Based on our engagement with the current project managers, Parliament (user department) and management, we can confirm that there are concerns regarding the NDPWI's capacity to execute large-scale FM contracts, taking the following into consideration:
 - > The incomplete immovable asset register related to the 2 FM projects, which has to date not been requested from the two contractors to enhance the current immovable asset register;
 - > NDPWI human resource, experience and systems capacity for taking over the role of Multi QS.
 - > NDPWI human resource, experience and systems capacity for taking over the role of AFMS and Broll, in terms of planning and managing the FM contracts and FM contractor call centres.
 - > Lack of financial control related to the volume of transactions, which in turn may lead to corruption and fruitless and wasteful expenditure.
 - > Lack of appropriate FM systems.
 - > Significant delays in procurement processes to perform complex and less complex repairs / refurbishments and replacements.

Root cause

- ▶ Lack of demand planning by the custodian department (GIAMA).
- ▶ The initial expiry date of the current FM contracts was 08 August 2019.
- ▶ Inadequate acquisition processes due to non-award of the current advertised tender.
- ▶ Lack of appropriately skilled resources and gaps in the organogram.
- ▶ Inadequate system capacity.

Effect

- ▶ Decaying heritage assets which will result in non-compliance with the Heritage Act and related regulations;
- ▶ Non-compliance with OHSA in terms of keeping all immovable assets safe and occupied;
- ▶ Reduction in maintenance service levels;
- ▶ Incomplete Fixed Asset Register as required by GIAMA and NIAMMS;
- ▶ Increases in maintenance backlogs; and
- ▶ Due to capacity constraints, there might be lapses in internal controls, which in turn may create opportunities for corruption and/or irregularities.

Recommendation

- ▶ Management must request the detailed asset registers that the two consulting FM firms have created during the past 6 years to establish appropriate specifications other than the current specifications advertised.

- ▶ Logistics management with regards to the equipment and stock required to maintain the Precinct and the Parliamentary Residential Accommodation, must also receive significant attention if the Department will commence managing facilities internally due to the large volumes of stock and equipment required.
- ▶ It is recommended that a risk workshop is held between the NDPWI, Parliamentary Stakeholders, as well as Treasury to understand all the risks involved with in-house maintenance. This is especially important considering the extent of expenditure, and associated risks, suitable treatment plans need to be identified and implemented to address the risks.
- ▶ Management needs to fully consider the ramifications of a short-term in-house function and whether this can be controlled adequately given the current resource and capacity limitations.
- ▶ An in-house function should not be considered by NDPWI, without adequately resourcing the NDPWI through staff, systems and technical skills.
- ▶ That appropriate steps be considered against the parties responsible for the delay in the issuing of tenders CPTC 008/19 and CPTC 009/19.
- ▶ In-depth Supply Chain Management training must be provided to all staff involved in demand and acquisition management, as well as risk and performance management related to contracts.

Management comment and action plan

Management Comment:	Management partially agrees to this finding. However, the issue of the specification is not yet determined as the newly appointed consultants have not yet commenced with their work.
Management's Action Plan to be implemented:	The internal term contracts will be used to render the day-to-day maintenance services for both residences and official accommodation. The internal call center (Worx for you) will be used for these projects. The newly appointed consultants will have to give the Department options that will address the deficiencies identified on the two previous FM contracts.
Responsible Official:	Head of projects.
Planned Implementation Date:	December 2020.
Internal Audit Comment:	Based on the management comments provided, we can conclude that no detailed action plan was provided to address all the findings raised. We remain concerned about the implementation of the treatment plan for the in-house management of the FM contract, with specific reference to the issues related to capacity. Management does not have the capacity to manage the Prestige Projects internally with various contractors. Management should consider a detailed turnaround strategy to implement all the recommendations we have made throughout the report.

Finding 2: Inadequate Initial Scope Definition on FM contracts

Finding Rating	Critical
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Context

- ▶ This finding pertains to the FM contracts:
 - > Office Accommodation (046547), managed by Arcus Facility Management Services (AFMS); and
 - > Residential Accommodation (046548), managed by Broll.
- ▶ Site visits of and interviews with FM companies took place at Acacia Park (22 September 2020), Groote Schuur (23 September 2020) and various buildings in the Parliamentary Precinct (28 September 2020).
- ▶ The information contained in these tables was compiled from WCS data and related financial reports.
- ▶ These reports did not indicate any details regarding the specific scope of the backlog projects and also did not contain any information regarding which of the backlog projects were completed.
- ▶ This audit therefore cannot make any comment regarding the implementation and outcomes of the backlog projects.

Criteria

The criteria are presented in terms of Government Immovable Asset Management Act (GIAMA) (2007).

Control/Evidence required
<p>GIAMA:</p> <p>Principles of immovable asset management:</p> <p><i>Section 13 of GIAMA states - (d) ensure that all activities that are associated with common law ownership are executed, including—</i></p> <ul style="list-style-type: none"> <i>(i) managing an immovable asset throughout its life cycle;</i> <i>(ii) assessing the performance of the immovable asset;</i> <i>(iii) assessing the condition of the immovable asset at least every fifth year;</i> <i>(iv) identifying the effect of the condition of an immovable asset on service delivery ability;</i> <i>(v) determining the maintenance required to return the immovable asset to the state in which it would provide the most effective service;</i> <i>(vi) estimating the cost of the maintenance activities identified;</i> <i>(e) establish and execute a performance measurement system as prescribed.</i>

Finding

As per the requirements of GIAMA, NDPWI has to ensure that all activities with regards to common-law ownership are appropriately executed, which includes understanding the requirements and the condition of the immovable assets it is managing.

It further clearly states that the custodian (NDPWI) must estimate the cost of maintenance activities identified.

The current FM contracts had significant gaps in the initial terms of reference. Supporting evidence includes:

Part A: Aging Infrastructure which cannot be repaired by a maintenance contract

During the site visit to the Parliamentary Precinct, we noted that there are several instances of aging infrastructure which cannot be refurbished using a maintenance contract, which includes the following examples:

- ▶ 120 Plein Street: chilled water piping corroded and requires replacement.
- ▶ National Assembly: chilled water piping is old and requires replacement.
- ▶ Ground water decanting and storm water reticulation system is problematic and requires upgrading.
- ▶ AFMS also mentioned some instances where short-term fixes were implemented, where longer term solutions should have been implemented. This included the following:
 - > Ground floor of 120 Plein Street requires new air conditioners but was supplied with temporary air conditioner units.
 - > In some instances, like NCOP Calorifiers need to be replaced, but a temporary geyser was installed as a temporary fix. The replacement should be better planned.
- ▶ Similar findings were made regarding the sewerage system during the visit to Acacia Park, but not to the extent as described above.
- ▶ It should be taken into consideration that the residential accommodation and related infrastructure is much simpler than the multi storey office buildings inside the parliamentary Precinct.

Part B: Limited information was available during the tender process

From the interview with AFMS:

- ▶ The Bills of Quantities (BOQ), incomplete asset register and lack of detail of items to be maintained is of concern in the contract set up. This was confirmed when reviewing the tender documentation.
- ▶ The contract sets out a maintenance matrix and BOQ, but it doesn't quantify the extent of the work other than in terms of describing the activity. This makes the bill difficult to price accurately and can be remedied by being more specific in stating the following: "Maintenance cost of a 20-year-old chilled water air conditioning system with xkW capacity servicing and area of Ym²." Our independent QS also confirmed the above.
- ▶ No maintenance manuals or drawings were handed over to the contractor and this makes maintenance operations difficult to set up. Drawings are also difficult to obtain. The same comments were made by Broll during the site visit to Acacia Park.

Part C: Handed over information

From the interview with AFMS:

- ▶ Some maintenance aspects are excluded from the contract, and not included anywhere else. This includes air conditioner duct cleaning. No duct cleaning was done during the 5 years of the FM contract. Similar issues were mentioned during the interview with Broll.
- ▶ Roof installation of Marks Building was inspected. This included the cooling towers, pumps and heat exchangers.
 - > No maintenance painting was observed, piping seems old, cooling towers require some cleaning.
 - > In general, it appears that the maintenance philosophy of expending the least amount of money is clear.
 - > No allowance is made for upgrading/repairing to an acceptable level and then to maintain.

From the interview with Broll:

- ▶ No allowance is made for upgrading/repairing to an acceptable level and then to maintain, with specific reference to all stores, carports and staff quarters. There is also a significant issue with white asbestos that is present in roof sheets, gutters, down pipes.
- ▶ Poor initial scope of works, incomplete and ambiguous bills of quantities were also identified. Assets conditions were not clearly described and a single site visit, as part of the tender process, is not sufficient to mitigate risks related to unclear scope.
- ▶ The original tender bill of quantities could not be updated over time to reflect the reality of the actual activities.

OBSERVATIONS: ASSET MANAGEMENT INFORMATION SYSTEMS APPLIED BY FACILITY MANAGEMENT CONTRACTORS

Part D: Valuable information gathered by FM companies during the 6 years

Site visit to Acacia Park: Leading edge systems used by Broll.

During our interview engagement with Broll, they showcased their FM System (Concept and Vantage) and the capabilities of the system to us.

- ▶ We were impressed by the level of contractor competence in Broll management. Broll is using a leading edge maintenance system and database, which is impressive on every level.
- ▶ The system electronically integrates with the Broll contractor interface, which makes the approvals of contractor work very efficient.
- ▶ Broll has a huge amount of asset and maintenance data which should be used to set up the next maintenance contract. This includes some information on the condition of the assets as well.
- ▶ This information should be requested from Broll and used in determining the scope for the next set of FM contracts.

Site visit to Parliamentary Precinct: System used by AFMS:

- ▶ AFMS uses the Forcelink Maintenance system.
- ▶ It is not as sophisticated as Boll's system, and not adequately updated in all aspects as would be expected. Guarantees are not specifically captured in system. Assets are also bar coded and the bar codes are easy to find.
- ▶ One specific system (a chiller for 90 Plein Street) was checked for detail in terms of what is captured in maintenance system. This system has been transferred to another HVAC contractor, but the information in the system was not updated. A generic chiller maintenance schedule was logged in the system, but one would have expected the specific unit capacities and make with the OEM manual and service requirements.
- ▶ AFMS argues that these were not received from NDPWI.
- ▶ Although the maintenance system seems adequate, appropriate details are not captured in the system. It remains however, the most accurate and up to date system regarding assets and maintenance in the Parliamentary Precinct.

Root cause

- ▶ Lack of resources at the NDPWI, familiar with FM contracts at the time when the specifications were compiled.
- ▶ Lack of succession planning due to previous project manager retiring from NDPWI.
- ▶ Lack of adequately detailed scope definition by consultants.

Effects

- ▶ Scoping inadequacies results in inability to adequately maintain assets that should be refurbished / replaced or repaired;
- ▶ Scoping inadequacies further could result in manipulation of procurement processes related to variation orders / P&Gs and authorisations processes;

- ▶ Inadequate project management by project manager in ensuring all additional works are approved for implementation of other capital works that will enhance the asset and increase its lifespan;
- ▶ Inadequate management and maintenance of facilities, which in turn leads to shorter lifecycle of assets.
- ▶ Inadequate relationship management between contractors and Parliament due to the contractors not being able to address repairs and maintenance adequately / to the expectation of the client due to the repairs not approved by Multi QS / NDPWI;
- ▶ Lack of maintenance leading to customer dissatisfaction.
- ▶ The time and resources spent on the 18 different authorisations.
- ▶ Authorisations required for additional funding, as contained in these two tables:

Effect A: R240.41 million was authorised for maintenance backlogs

- ▶ A cost analysis was conducted on the authorisations for both these contracts. A total of R240,41 million was authorised on a maintenance backlog, in terms of the additional provisional sums and related profit for the FM companies.
- ▶ This constitutes 23.4% of the total authorisation for both these contracts. This indicates that the initial scope definition of the FM contracts was incomplete.

Description	Breakdown	Official Office Accommodation	Residential Accommodation	Total
Provisional sum	Push Through items	R 13.88	R 116.07	R 129.95
	Backlog	R 83.10	R 2.76	R 85.86
	Incidents above R15 000 threshold	R 2.78	R 1.66	R 4.44
Profit	Push Through items	R 1.13	R 11.61	R 129.95
	Backlog	R 6.74	R 0.28	R 85.86
	Incidents above R15 000 threshold	R 0.23	R 0.17	R 4.44
Total Additions Related to Provisional Scope		R 107.86	R 132.55	R 240.41
Initial Authorisation		R 357.49	R 312.16	
Latest Authorisation		R 519.45 (Auth. No 10)	R 506.88 (Auth. No 8)	R 1 023.63

Figure 49: Maintenance Backlogs

Effect B: R38.45 million was authorised for re-measured items

- ▶ A total of R38.45 million was authorised on a re-measured cost, which constitutes 3.7% of the total authorisation for both these contracts.

Project	Details	Item Cost	Total
Official Office Accommodation	Recess Cleaning	R 9.58	R 18.69
	High Pressure Cleaning of grounds	R 3.90	
	Additional Security Services	R 2.70	
	Leather Cleaning	R 2.51	
Residential Accommodation	Plumbing and drainage	R 12.52	R 19.76
	Swimming pools	R 2.20	
	Pest control	R 1.98	
	Added Facility Services	R 1.18	
	Routine Cleaning	R 0.45	
	Lift maintenance	R 0.42	
	Irrigation	R 0.21	
	Auxiliary and Standby Power systems	R 0.21	
	Security Equipment	R 0.20	
	Domestic Appliances	R 0.10	
	Scheduled Cleaning	R 0.09	
	Water Feature	R 0.07	
	Audio Visual	R 0.07	
	Signage	R 0.03	
	Cabling Infrastructure	R 0.02	
	Replace Carpets	R 0.01	
	Cleaning	R 0.01	
			R 38.45

Figure 50: Re-measured Items

Recommendation

- ▶ Management must ensure compliance with GIAMA through incorporating the information, already compiled by AFMS and Broll regarding the asset registers maintained.
- ▶ The NDPWI should revise its model to ensure that there is adequate synergy between the roles and responsibilities of the FM and other contractors.

- ▶ The BOQ must be informed by exact details of space, square meterage, quantities, area, capacity and types of equipment to be maintained. The tender documents must be more specific regarding quantities, area and capacity of equipment which needs to be maintained.
- ▶ It is recommended that the ducts of the HVAC systems in the Parliamentary Precinct are inspected to determine if there is a requirement for cleaning.

Management comment and action plan

Management Comment:	Management agrees with some aspects of this finding.
Management's Action Plan to be implemented:	<ul style="list-style-type: none"> • Projects have been registered to address aging infrastructure but due to budget constraints, the critical buildings will be prioritised. • The scoping of the new FM will be done in consultation with Parliament taking into consideration the 'lessons learnt' from the previous contract • The threshold for maintenance will be reviewed. • Asset management information is already being used by the Department.
Responsible Official:	Head of Prestige and Head of Projects.
Planned Implementation Date:	Ongoing.
Internal Audit Conclusion:	<p>We note management's comments with regards to prioritisation of projects based on budgetary constraints.</p> <p>The terms of reference / specifications and the BOQ established for these construction and FM tenders must be resolved with immediate effect.</p> <p>Management should have a detailed infrastructure budget, linked to the requirements as set by CIDB to allow for adequate routine maintenance, refurbishments and replacements.</p> <p>A detailed infrastructure maintenance plan per building per asset will be required. We maintain that the BOQ must be informed by exact details of space, square meterage, quantities, area, capacity and types of equipment to be maintained. The tender documents must be more specific regarding quantities, area and capacity of equipment which needs to be maintained, which management has not actioned in their action plan.</p>

Finding 3: FM Contract does not make provision for refurbishment

Finding Rating	Critical
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Context

- ▶ This finding pertains to the FM contracts:
 - > Office Accommodation (046547), managed by Arcus Facility Management Services (AFMS);
 - > Residential Accommodation (046548), managed by Broll.
- ▶ Site visits and interviews of FM companies took place at Acacia Park (22 September 2020), Groote Schuur (23 September 2020) and various buildings in the Parliamentary Precinct (28 September 2020).

Criteria

The criteria are presented in terms of Government Immovable Asset Management Act (GIAMA) (2007).

Control/Evidence required
<p>GIAMA:</p> <p>Principles of immovable asset management:</p> <p>Section 5 (1) <i>The following are principles of immovable asset management:</i></p> <p style="padding-left: 20px;">e) <i>immovable assets that are currently used must be kept operational to function in a manner that supports efficient service delivery;</i></p> <p>Section 13 states -</p> <p>(d) <i>ensure that all activities that are associated with common law ownership are executed, including—</i></p> <ul style="list-style-type: none"> (i) <i>managing an immovable asset throughout its life cycle;</i> (ii) <i>assessing the performance of the immovable asset;</i> (iii) <i>assessing the condition of the immovable asset at least every fifth year;</i> (iv) <i>identifying the effect of the condition of an immovable asset on service delivery ability;</i> (v) <i>determining the maintenance required to return the immovable asset to the state in which it would provide the most effective service;</i> (vi) <i>estimating the cost of the maintenance activities identified;</i> <p>(e) <i>establish and execute a performance measurement system as prescribed</i></p>

Finding

As per the requirements of GIAMA, NDPWI has to ensure that all activities with regards to common-law ownership are appropriately executed, which includes understanding the requirements and the condition of the immovable assets it is managing. It further clearly states that the Parliament (custodian) must estimate the cost of maintenance activities identified.

A significant amount of backlog maintenance (R240.41) took place under the current FM contracts.

During our site visit to **Acacia Park** (22 September 2020), the following was noted:

- ▶ At face value, maintenance is good and deemed adequate, however the lack of incorporating “repair” in the FM contract has resulted in some “out of contract” situations where, for instance, a ceiling can be repainted, but the root cause is the roof leaking through. The repairs of the roof are not deemed part of the FM contract - which then results in costs incurred to fix face value issues and not the actual repairs required.
- ▶ The sprinkler system is switched off and out of commission. It could be argued that this was due to water restrictions and could be deemed academic. However, being out of commission, it would fall into the “refurbishment” category.
- ▶ The contractor claimed that there are assets which:
 - > Could not be maintained, as they are not maintainable and need to be replaced/ refurbished; and
 - > Some of these assets first need to be refurbished to an acceptable level, after which maintenance can then take place.
- ▶ During our site visit to the Parliamentary Precinct (28 September 2020), the following was noted with regards to the manner in which the contract has been drafted. The contract allows that other capital projects can run in parallel with the maintenance contract (i.e. Replacements / Refurbishments). This requires an exceptional level of Client coordination and effort, for the following reasons:
 - > When the warranties of maintenance work done by Original Equipment Manufacturers expire, these assets are not always handed over to the FM contractor. AFMS mentioned that some contracts are completed by other contractors and when the warranty periods expire, are not handed over to AFMS to then form part of the FM contract.
 - > When the FM contractor identifies refurbishment work, which is outside their contract, Parliament needs to be informed and these works need to be evaluated and scheduled.
 - > The FM contractor made recommendations in terms of upgrade and repairs i.e. hot water piping, chilled water piping (can check their records) to NDPWI’s project manager.
 - > The projects have not been implemented due to projects not being approved timely.
 - > The reasons for these delays are not always provided.
 - > In some instances, HVAC work has been given to other contractors to upgrade, but parts like the heating boilers for heating coils were kept in FM contract. This may cause disputes related to repairs and related warranties.

Root cause

- ▶ Inappropriate implementation of GIAMA with regards to immovable asset management plans and relevant custodian responsibilities;
- ▶ Lack of appropriate project management by NDPWI Project Manager in ensuring that site visits occur daily and weekly based on the value and nature of the projects being managed.
- ▶ Lack of an GIAMA compliant asset custodian register - completeness and condition of infrastructure assets are not fully conceptualised to appropriately plan Repairs / Refurbishments and Maintenance.
- ▶ Lack of attendance of the project manager of NDPWI at monthly progress meetings.
- ▶ Lack of familiarity with FM contracts of responsible people at the time the contracts were set up.
- ▶ Backlog maintenance not adequately planned and budgeted for.
- ▶ Useful lives of relevant assets.

Effect

- ▶ Non-compliance with the requirements of GIAMA.
- ▶ Inadequate repairs on roofs results in some areas on the site really looking bad, giving a bad impression (especially paint and roofs).
- ▶ Refurbishments not taking place, which in turn leads to further deterioration of assets.

- ▶ Inadequate management and maintenance of facilities, which in turn leads to shorter lifecycle of assets.
- ▶ Lack of maintenance leading to customer dissatisfaction.
- ▶ Additional costs if assets deteriorate to the extent that they have to be replaced.

Recommendation

- ▶ Management must implement the requirements of GIAMA with regards to the Asset Management Custodian and User Plans.
- ▶ A refurbishment clause be included in the next round of FM contracts.
- ▶ Clear rules are made to determine what type of projects may be refurbished by the Contractors.
- ▶ The quantity surveying company which are appointed as the consultant for these projects be suitably equipped and experienced to oversee all refurbishment projects.
- ▶ Appropriate project and financial controls are identified and implemented to ensure that refurbishments provide long-term value for money.

Management comment and action plan

Management Comment:	Management does not agree with this finding.
Management's Action Plan to be implemented:	Refurbishment projects are funded from a different source, coordination of when a facility requires refurbishment is done and actioned accordingly. This is done through minor new works projects.
Responsible Official:	Head of Projects and Head of Prestige.
Planned Implementation Date:	Ongoing.
Internal Audit Comments	<p>We note Management disagrees with the finding.</p> <p>Although we accept that management disagrees, we remain concerned that the action plan provided did not address the detailed findings and root causes.</p> <p>Irrespective whether refurbishments are funded from different sources, the risk associated with patching certain infrastructure, instead of refurbishing the assets is still eminent and has not been responded to.</p> <p>The risk of not repairing/refurbishing certain assets will ultimately culminate in excessive spending on specific infrastructure until it is no longer repairable.</p> <p>We understand there will always be different commercial objectives between the FM service providers and the Department and accept the management comments. These processes, roles and responsibilities should be clearly described in the new FM contracts.</p>

Finding 4: Maintenance responsibility not always carried over to FM contractors after maintenance contracts with original equipment manufacturers expire

Finding Rating	Significant
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Context

- ▶ This finding pertains to the FM contracts:
 - > Office Accommodation (046547), managed by Arcus Facility Management Services (AFMS);
 - > Residential Accommodation (046548), managed by Broll.
- ▶ Site visits and interviews of facility management companies took place at Acacia Park (22 September 2020), Grootte Schuur (23 September 2020) and various buildings in the Parliamentary Precinct (28 September 2020).

Criteria

The criteria are presented in terms of Government Immovable Asset Management Act (GIAMA) and the CIDB's Maintenance Management Standard for immovable assets.

Control/Evidence required
<p>GIAMA:</p> <p>Principles of immovable asset management:</p> <p>Section 5. (1) <i>The following are principles of immovable asset management:</i></p> <p style="padding-left: 40px;">f) <i>immovable assets that are currently used must be kept operational to function in a manner that supports efficient service delivery;</i></p> <p>Section 13 of GIAMA states -</p> <p>(d) ensure that all activities that are associated with common law ownership are executed, including—</p> <ul style="list-style-type: none"> (i) managing an immovable asset throughout its life cycle; (ii) assessing the performance of the immovable asset; (iii) assessing the condition of the immovable asset at least every fifth year; (iv) identifying the effect of the condition of an immovable asset on service delivery ability; (v) determining the maintenance required to return the immovable asset to the state in which it would provide the most effective service; (vi) estimating the cost of the maintenance activities identified; <p>(e) establish and execute a performance measurement system as prescribed.</p> <p>CIDB's National Immovable Asset Maintenance Management Standards (NIAMMS) for immovable assets states the following:</p> <p>4. ASSET CARE OBJECTIVES, STRATEGIES AND PLANNING</p> <p><i>The level of asset care is primarily determined by the entity's asset management objectives that in turn are derived from the strategic objectives of that entity. These asset management objectives take into consideration matters of value to the entity, where it wishes to be in the future, legislative and contractual commitments, the entity's financial, administrative and technical capacities, and risk appetite. Maintenance objectives and planning, typically revolving around asset availability,</i></p>

Control/Evidence required

reliability and the costs associated with ensuring the required level of availability and reliability, are established in response to stated asset management objectives that may vary in asset-intense entities for different asset groups.

4.1 Establishment of asset care objectives, strategies and plans

4.1.1 *Each entity shall interpret its strategic plan and develop specific, measurable, achievable, realistic and time-bound asset management objectives focussing on the care of its immovable assets.*

4.1.2 *In developing asset management objectives, the entity shall consider:*

- a) the importance of assets to their intended outcomes, objectives or service requirements, and shall also review risks, inclusive of the potential impacts from the failure of either assets, asset management activities or both;*
- b) the nature, scope, complexity and scale or extent of asset portfolios under its control; and*
- c) any statutory requirements related to the operation and maintenance of assets or of services rendered through the use of its immovable assets.*

4.1.3 *The entity shall, in support of its asset management objectives, develop supportive and responsive maintenance and renewal objectives and regimes, within the context of whole lifecycle management, as follows:*

- a. expected asset useful lives shall be recorded in the asset management strategy, clearly stating the required lifecycle strategies necessary to achieve life expectations;*
- b. determine the minimum acceptable asset failure mode status (performance, utilisation, condition and cost-of operations) for its assets, with due consideration to the criticality rating attached to each asset and its function within the broader network or portfolio of assets, and document such in the asset management strategy;*
- c. where the demand for assets or networks/portfolios are indefinite, or where assets have lives measured in decades or generations, a renewals plan shall be developed for such assets facilities, networks or portfolios and included in the lifecycle plan section of the asset management plan(s), taking into account minimum acceptable condition, performance and cost of operations, as well as the need to maintain business continuity and a favourable asset sustainability ratio; and*
- d. a maintenance plan shall be developed and included in the lifecycle plan section of the asset management plan(s), indicating:*
 - i. the maintenance type and approach within the larger lifecycle strategy to be adopted for each asset type and asset portfolio, and for critical assets specifically (e.g. preventative or corrective, interval based etc.);*
 - ii. the appropriate level of reliability chosen given performance expectations and the costs involved to achieve and/or maintain that level of reliability;*
 - iii. the maintenance actions (e.g. monitoring, testing, serving, repairs) to be adopted per asset type, asset group and for business-critical assets; and*
 - iv. appropriate resourcing methods.*

Finding

As per the requirements of GIAMA, NDPWI has to ensure that all activities with regards to common-law ownership are appropriately executed, which includes understanding the requirements and the condition of the immovable assets it manages. It further states that the Parliament (custodian) must estimate the cost of maintenance activities identified.

Further to the above, the CIDB's NIAMMS requires maintenance type and approach to be planned within the bigger lifecycles of assets, which includes all components of the various different assets.

A significant amount of backlog maintenance (R240.41 million) took place under the current FM contracts.

- ▶ During our site visit to the Parliamentary Precinct (28 September 2020), it was established that when the warranties of maintenance work done by original equipment manufacturers expire, these are not always handed over to the FM contractor. Specific examples related to HVAC systems were mentioned.
- ▶ During a site visit to Acacia Park which took place on 22 September 2020 it was established that the current intercom system is not in operation.
- ▶ There was no maintenance contract put in place when the OEM warranty expired. Subsequently, a contract has been put in place, but it is a "repair" contract, and not a "preventative maintenance contract".

Root cause

- ▶ Inappropriate implementation of GIAMA with regards to immovable asset management plans and relevant custodian responsibilities.
- ▶ Lack of a GIAMA compliant asset custodian register for Parliament - completeness and condition of infrastructure assets are not fully conceptualised to appropriately plan Repairs / Refurbishments and Maintenance.
- ▶ Lack of implementation of the requirements of the National Immovable Asset Maintenance Management Standard issued by CIDB.
- ▶ No system in place to ensure that when OEM warranties expire, appropriate maintenance contracts are put in place.

Effect

- ▶ Non-compliance with the requirements of GIAMA.
- ▶ Non-compliance with the NIAMMS issued by CIDB.
- ▶ Inadequate management and maintenance of facilities, which in turn leads to shorter lifecycle of assets.
- ▶ Lack of maintenance leading to customer dissatisfaction.
- ▶ Additional costs if assets deteriorate to the extent that they have to be replaced.

Recommendation

- ▶ Management must implement the requirements of GIAMA with regards to the Asset Management Custodian and User Plans.
- ▶ Management must fully comply with the requirements of National Immovable Asset Maintenance Management Standard, in lieu of planning, implementation, management and the competency framework.
- ▶ A refurbishment clause be included in the next round of FM contracts.
- ▶ A system needs to be put in place to ensure the consistent placing of maintenance contracts after the expiry of OEM warranties.

Management comment and action plan

Management Comment:	Management noted this finding.
Management's Action Plan to be implemented:	When projects are implemented, they are removed from the service of the FM and reinstated when the project has been concluded.
Responsible Official:	Project implementation framework should address matters like this.
Planned Implementation Date:	Management to investigate the seamless movement of the projects.
Internal Audit Conclusion:	<p>We note that management indicates that the project implementation framework should address matters as raised by internal audit. Management did not indicate how they will ensure that the framework is appropriately implemented. Management furthermore also did not indicate whether they will consider including refurbishments in the next FM contracts and whether it will imply a % of the contract or a determined cost based on the assessment conducted on the key FM facilities.</p> <p>Further to the above, management must implement the requirements of GIAMA with regards to the Asset Management Custodian and User Plans.</p> <p>Management has to implement processes to ensure that DPWI in lieu of the Prestige Projects, fully comply with the requirements of National Immovable Asset Maintenance Management Standard, in lieu of planning, implementation, management and the competency framework.</p>

Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management

Finding Rating	Significant
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Criteria

The criteria are presented in terms of the PFMA, NIAMMS, SIPDM and APM Project Controls Framework.

Control/Evidence required
<p>Section 38 of the PFMA General responsibilities of accounting officers.</p> <p>(1) The accounting officer for a department, trading entity or constitutional institution (a) must ensure that that department, trading entity or constitutional institution has and maintains—</p> <p>(i) effective, efficient and transparent systems of financial and risk management and internal control.</p> <p>The National Immovable Asset Management Maintenance Standards is very specific on Risk Management processes related to immovable assets management and what is required. It requires the following:</p> <p>8. RISK MANAGEMENT</p> <p><i>Assets and asset management is continually exposed to a wide range of asset and non-asset risks, several of which can be catastrophic for the entity and the community it serves should they realise and are not managed properly. This requires entities to understand the risks involved in the management and use of assets, the way in which assets can fail, the consequences should assets fail or other risks materialise, and to develop and implement appropriate risk treatment options in line with the severity of risk impacts, the entity’s risk appetite, legal requirements, financial capacity and community expectations. To this end the entity shall:</i></p> <p>8.1 <i>Develop a framework for the management of risks related to immovable assets that is tailored to the extent, complexity, expected performance and criticality of assets, the range of non-asset risks involved in the care of immovable assets, the entity’s materiality limit and risk appetite, and its corporate risk management framework.</i></p> <p>8.2 <i>Articulate the approach to risk management in the entity’s asset management strategy.</i></p> <p>8.3 <i>Develop and implement standardised decision-making tools and processes for the identification, assessment and treatment of risks.</i></p> <p>8.4 <i>Assess asset criticality using a standardised impact rating scale and record criticality ratings against assets in the entity’s asset register.</i></p> <p>8.5 <i>Monitor the status of failure modes in line with a documented updating plan, and record in the entity’s asset register.</i></p> <p>8.6 <i>Develop appropriate risk treatment options in the entity’s asset management plan(s), and update and maintain the risk register with details on risks, affected assets, risk controls, risk owner, costs involved, and reporting and review dates”</i></p> <p>From Guide for Accounting Officers Public Finance Management Act (National Treasury, 2000):</p> <p>In broad terms, the Act makes each accounting officer responsible for effective, efficient, economical and transparent use of resources. More specifically, he or she must ensure that the following are in place:</p> <ul style="list-style-type: none"> • An effective, efficient and transparent system of financial and risk management and internal control (National Treasury, 2000).

Control/Evidence required

Internal controls are the systems (manual or electronic), procedures and processes that are implemented to minimise the risk (and any financial consequences) to which the department might otherwise be exposed as a result of fraud, negligence, error, incapacity or other cause (National Treasury, 2019a).

From the Department of Public Works, Risk Management Policy:

The objectives of the Department's Risk Management Policy are to ensure that the risks arising from the strategic objectives, programmes and projects planned are identified and prioritised (Department of Public Works, 2019).

Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work (Department of Public Works, 2019).

1.8. Risk Management Principles

The following are key risk management principles which are essential for a successful risk management process in the department:

- IV. The annual strategic planning and budgeting processes shall include risk assessments.
- V. Risk assessments will be conducted by Risk Management Unit once annually and/or whenever there have been changes in environment.
- VI. Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work.

Departmental risk register for FM contains the following risk sources related to GIAMA:

- Poor quality of U-AMPs and C-AMP - not meeting GIAMA requirements.
- Nonalignment between U-AMPs and C-AMP (w.r.l. Infrastructure and budget planning).
- Inadequate life cycle planning for immovable assets under the custodianship of the Department.
- Lack of suitably skilled asset managers to implement GIAMA and manage the asset lifecycle.

Finding

The following was established during the audit:

- ▶ Although there is a departmental risk register in place for FM, the risk register is at too high a level and can be improved to be better aligned with the detailed risks related to FM.
- ▶ The risk register does not contain any risks related to achieving the project objectives specifically relating to value for money and continuous contracts with experienced FM companies.
- ▶ The risk register does not contain risks related to specific facility management projects, i.e. (i) aging infrastructure and (ii) management of the high-water table in the Parliamentary Precinct.
- ▶ We noted that the decision-making tools, include various unapproved SOPs. The existing standards (SIPDM, FIPDM, NIAMMS) are not complied with.

- ▶ Project risk assessment is not detailed per project, including a register and monitoring of action plans.
- ▶ Procurement risk is not included in the SOP in lieu of manipulation of variation orders and authorisations due to lack of planning or whatever other reasons may be provided.

Root cause

- ▶ Lack of adequate project risk management processes.
- ▶ Lack of adequate project procurement risk management processes.
- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of approved SOP.
- ▶ Lack of Capacity (Human Resources, Budget and Systems).

Effect

The effects of not having formal project risk management processes and procedures in place are as follows:

- ▶ Value is not managed and protected. In terms of project management, it implies that projects cost more, take longer to complete and have delays in the implementation of their benefits.
- ▶ If the risks are not known and managed, risk-based decision making is not taking place.
- ▶ If the risks are not known and managed, uncertainty is not understood and treated on a project level.
- ▶ Continuous improvement is not achieved, as risk management facilitates continuous improvement.

Recommendation

- ▶ The NDPWI must implement the following in relation to immovable asset management as per the NIAMMS pertaining to risk management:
 - > Develop a framework for the management of risks related to immovable assets that is tailored to the extent, complexity, expected performance and criticality of assets, the range of non-asset risks involved in the care of immovable assets, the entity's materiality limit and risk appetite, and its corporate risk management framework.
 - > Articulate the approach to risk management in the entity's asset management strategy.
 - > Develop and implement standardised decision-making tools and processes for the identification, assessment and treatment of risks.
 - > Assess asset criticality using a standardised impact rating scale and record criticality ratings against assets in the entity's asset register.
 - > Monitor the status of failure modes in line with a documented updating plan, and record in the entity's asset register.
 - > Develop appropriate risk treatment options in the entity's asset management plan(s), and update and maintain the risk register with details on risks, affected assets, risk controls, risk owner, costs involved, and reporting and review dates.
- ▶ It is recommended that the issues identified in the Construction - Project Management and Engineering Services SOP are addressed and that formal requirements are made for consultants and contractors to do ongoing risk assessments on the projects. This document should also make provision for important project related risks to be escalated into the ERM risk register.
- ▶ The project risk management policies and procedures then need to be rolled out to internal and external stakeholders. Project risk management should also be made a mandatory requirement on all projects undertaken within the portfolio.
- ▶ Appropriate internal and external training should take place on the purpose and benefits of project risk management.

- ▶ Appropriate project risk management controls should be incorporated in a project controls framework, with emphasis on better decision-making, and not just to meet compliance requirements.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management's Action Plan to be implemented:	A project implementation framework has been developed to close some of the gaps between the projects and maintenance contracts. Once approved it will be a tool aligning GIAMA to the actual implementation.
Responsible Official:	D. Projects, D. Prestige and CD: Prestige.
Planned Implementation Date:	Management did not provide clear timelines when the project implementation framework will be approved and implemented. We were not provided with a copy of the framework to assess whether it will indeed cover all the gaps identified. The should not only be aligned to GIAMA but also the NIAMMS which addresses the role of risk management and internal audit over and above the role of management and project teams.
Internal Audit Conclusion	Management did not provide clear timelines when the project implementation framework will be approved and implemented. We were not provided with a copy of the framework to assess whether it will indeed cover all the gaps identified. The should not only be aligned to GIAMA but also the NIAMMS which addresses the role of risk management and internal audit over and above the role of management and project teams.

OPERATIONAL AND SITE FINDINGS

Finding 6: Lack of access control at Acacia Park

Finding Rating	Significant
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Criteria

The criteria are presented in terms of Minimum Information Security Standards (MISS) (South Africa, 1996) and the Ministerial Handbook with regards to safety of Members of the Executive (South Africa, 2019):

Control/Evidence required
<p>Minimum Information Security Standards indicates the following:</p> <p>12. PROTECTION OF EXECUTIVE OFFICIALS</p> <p><i>12.1 Since executive officials are constantly the target of enemies of the State, the necessary precautions should be taken to protect these officials against threats of blackmail or violence. Such threats should be reported to the NIA or the SAPS or the SANDF (MI), as the case may be. The necessary precautionary and protective measures must be undertaken by the various institutions to ensure the safety of the officials concerned. More particulars in this regard may be obtained from the National Intelligence Agency</i></p> <p>From the Ministerial Handbook as approved by the President on 20 November 2019:</p> <p>Chapter 2: Acceptance of Office</p> <p>4. Security analysis and implementation</p> <p><i>4.3 The Minister responsible for Public Works shall implement, in conjunction with the Minister responsible for Police, the recommended security arrangements at State owned Residences, offices and for close security; and if so required, security arrangements shall be implemented at private residences designated as an Official Residence in terms of Chapter 8 of this Guide.</i></p> <p>Chapter 8: Residences:</p> <p>8. The role of the Department responsible for Public Works</p> <p><i>The Department responsible for Public Works (Prestige Accommodation) shall subject to guidelines issued by the Minister responsible for Public Works be responsible, at State-owned Residences, for:</i></p> <ul style="list-style-type: none"> <i>a) security measures;</i> <i>b) general maintenance and renovations to the buildings;</i> <i>c) the maintenance of gardens and garden services;</i> <i>d) the provision of furniture and appliances;</i> <i>e) assisting Members to move or vacate a State-owned Residence; and</i> <i>f) assisting Members with official and private functions.</i> <p>9. Guardhouse</p> <p><i>The Department responsible for Public Works will be responsible for the provision of a guardhouse and the costs associated with the maintenance to that guardhouse at any Official Residence.</i></p>

Finding

During the site visits to Acacia Park on 22 September 2020, the access control was not functional and adequate measures were not in place to limit and monitor access:

- ▶ The South African Police Services (SAPS) officials on duty did not sign any of the site visitors in, nor requested evidence of identification. The team was merely directed to drive through. We left twice by simply driving through, as it appeared that the access booms were not working.
- ▶ No COVID-19 testing took place as per the COVID-19 Regulations (2020).
- ▶ The perimeter fence is vastly overgrown on the railway side with some parts being pushed over and the beams completely blocked.
- ▶ The sensors which are blocked off by the trees have not been working for some time (due to the growth of the trees) and one therefore has to question the efficiency of the security monitoring by the SAPS.



Figure 51: Trees in front of motion sensors

Root cause

- ▶ The main cause of the overgrown perimeter fence relates to gaps in the Broll FM contract. The contract does not cater for clearing trees which are outside the park perimeter but impact park security. Good practice would be to ensure that the perimeter is kept clear for at least 6m around the property.
- ▶ Lack of management oversight and poor project management related to services outside the FM contract.

Effect

- ▶ Inefficient access control and security at Acacia Park.
- ▶ Non-compliance with MISS and the Ministerial Handbook.
- ▶ The overgrown perimeter fence is a safety and fire concern.

- ▶ Fruitless and wasteful expenditure as the security systems that have been installed and paid for are not used and/or not operational.
- ▶ Liability claims against the NDPWI and SAPS in the case of security breaches.

Recommendation

- ▶ More stringent measures should be implemented with regards to the safety and security of the Members of the Executive with regards to Acacia Park in line with MISS and the Ministerial Handbook.
- ▶ Memorandum of Agreement and penalties must be implemented where SAPS safeguard Acacia and other National Key points.
- ▶ Measures should be put in place to ensure that the Acacia Park perimeter fence is kept clear and that plants don't interfere with the functioning of the fence's motion sensors.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management's Action Plan to be implemented:	<ul style="list-style-type: none"> • Immediate action is for FM to trim the trees inside the village. • Engagements with the City Of Cape Town regarding the cutting of trees outside the village will be done. • Access control has already been fixed (04.11.2020).
Responsible Official:	Head of Projects/Head of Prestige.
Planned Implementation Date:	November 2020.
Internal Audit Conclusion	We note management's actions and would recommend the in-house team to perform a follow up assessment on the fence to determine whether the trees have been trimmed inside the village as already committed to for immediate action.

Finding 7: Acacia Park intercom maintenance

Finding Rating	Significant
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Criteria

The criteria are presented in terms of the Public Finance Management Act and the Fruitless and Wasteful Expenditure Framework issued by National Treasury as well as the Minimum Information Security Standards and the Ministerial Handbook.

Control/Evidence required
<p>Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised” (South Africa, 1999b).</p> <p>Section 38(1)(c)(ii) of the PFMA require accounting officers to, amongst others, take effective and appropriate steps to prevent fruitless and wasteful expenditure.</p> <p>The National Treasury Fruitless and Wasteful Expenditure Framework states the following:</p> <p>In terms of Discovery:</p> <p>4. An employee of a department, constitutional institution or public entity who becomes aware or suspects the occurrence of fruitless and wasteful expenditure must immediately, in writing, report such expenditure to the accounting officer in terms of Treasury Regulations 9.1.2 and (in a case of public entities) to the accounting authority in terms of the reporting policy of that public entity.</p> <p>In terms of Evaluation</p> <p>5. Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources.</p> <p>7. Fruitless and wasteful expenditure must fulfil the following conditions in the definition -</p> <p>(a) expenditure must be made in vain; and</p> <p>(b) such expenditure would have been avoided had reasonable care been exercised.</p> <p>Minimum Information Security Standards indicates the following:</p> <p>12. PROTECTION OF EXECUTIVE OFFICIALS</p> <p>12.1 Since executive officials are constantly the target of enemies of the State, the necessary precautions should be taken to protect these officials against threats of blackmail or violence. Such threats should be reported to the NIA or the SAPS or the SANDF (MI), as the case may be. The necessary precautionary and protective measures must be undertaken by the various institutions to ensure the safety of the officials concerned. More particulars in this regard may be obtained from the National Intelligence Agency</p> <p>Ministerial Handbook as approved by the President on 20 November 2019:</p> <p>Chapter 2: Acceptance of Office</p> <p>4. Security analysis and implementation</p> <p>4.3 The Minister responsible for Public Works shall implement, in conjunction with the Minister responsible for Police, the recommended security arrangements at State owned Residences, offices and for close security; and if so required, security arrangements shall be implemented at private residences designated as an Official Residence in terms of Chapter 8 of this Guide.</p>

Control/Evidence required

Chapter 8: Residences:

8. The role of the Department responsible for Public Works

The Department responsible for Public Works (Prestige Accommodation) shall subject to guidelines issued by the Minister responsible for Public Works be responsible, at State-owned Residences, for:

- a) security measures;
- b) general maintenance and renovations to the buildings;
- c) the maintenance of gardens and garden services;
- d) the provision of furniture and appliances;
- e) assisting Members to move or vacate a State-owned Residence; and
- f) assisting Members with official and private functions.

9. Guardhouse

The Department responsible for Public Works will be responsible for the provision of a guardhouse and the costs associated with the maintenance to that guardhouse at any Official Residence

Finding

During a site visit which took place on 22 September 2020 it was established that:

- ▶ The current system is not in operation since there is no proper integrated security system maintenance contract in place.
- ▶ There is no formal system to ensure that once an asset is no longer covered by its Original Equipment Manufacturer, it automatically becomes part of the Department's FM contracts. There were similar comments made by AFMS and Broll during interview.
- ▶ An inoperable system constitutes fruitless and wasteful expenditure.
- ▶ The above access control and intercom system is, from a technology perspective, inappropriate. The intercom system connects the guard house to the units, to enable communication between the living units themselves and the guard house via physical cabling. At the time it was installed, better cellphone technology with authentication solutions were available. A wireless system would have been easier to install and maintain. The technology installed can be seen as fruitless expenditure.
- ▶ There were also issues with the initial specifications as the electronic intercom controller did not have capacity to accommodate all the residents and people working in the park. The intercom installation is in clusters, which means that if one goes down, a whole cluster stops operating.
- ▶ There are problems with downtime when Park Management cannot issue cards from the office when the system goes offline and when software licenses expire.
- ▶ The system did not work in any of the 5 houses which were inspected.

Root cause

- ▶ Inappropriate specification, verification of services and sign-off of technology.
- ▶ Safety and security measures implemented are not effective and efficient;
- ▶ Poor project management during installation of the communications systems to ensure it is fit-for purpose
- ▶ Systems not forming part of FM contracts after expiry of Original Equipment Manufacturer warranties.

Effect

- ▶ Intercom system is not functional and therefore residents could be in compromised security positions if any intrusion of their residences will occur.
- ▶ Non-compliance with MISS, Ministerial Handbook.
- ▶ Fruitless and wasteful expenditure in terms of the PFMA.

Recommendation

- ▶ As per the Fruitless and Wasteful Expenditure Framework, upon detection of alleged fruitless and wasteful expenditure, the Loss Control Function or another relevant Function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.
- ▶ The relevant consequence management processes should be considered in line with the abovementioned framework in regard to the reasons for technology selected. This should include determination of value for money.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management's Action Plan to be implemented:	Intercom system already fixed. It will also be linked to the gate with the current project.
Responsible Official:	Head of Prestige/Head of Projects.
Planned Implementation Date:	November 2020.
Internal Auditor Conclusion	Although we note management comments that the intercom system has been fixed, we remain concerned about the extent of non-compliance with MISS and the Ministerial Handbook. We were not provided with proof of exactly what was corrected. Safety of the members is key to compliance with MISS and the Ministerial Handbook.

Finding 8: Inadequate garden maintenance in Parliamentary Precinct

Finding Rating	Medium
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Context

Site visits took place to the gardens at Acacia Park (22 September 2020), Groote Schuur (21 September 2020), Queens Garden and Tuythuys Garden (28 September 2020), in both instances as part of the review of the FM contracts for Broll (Acacia Park and Groot Schuur) and AFMS (Parliament).

Criteria

The criteria are presented in terms of the Contract with AFMS.

Control/Evidence required
<p>From the contract with AFMS:</p> <p>Point E.7: Grounds Upkeep, Landscaping and Civils</p> <ul style="list-style-type: none"> • The FMSP shall provide a professionally managed, high quality maintenance service that, through a regular and organised approach shall ensure that all grounds, landscaping and related areas are kept clean, maintained and that all its appeal and aesthetic properties shall be kept in good repair at all times. • The FMSP shall preserve NDPWI's investment in exterior landscaping, and maintain the standard of appearance and safety for Government property in the community. • The FMSO shall plan and provide: • Care, maintenance and seasonal replacement of flower beds, trees shrubs and vines. This will include replacement of deteriorated shrubs, plants or flowers. <p>Point E7.2 Planting Beds</p> <ul style="list-style-type: none"> • Automatic irrigation system must always have optimal functioning. <p>Point 7.6 Supplemental Planting</p> <ul style="list-style-type: none"> • Prepare bed areas and plant out bedding plans with seasonal planting of annuals. • Winter and summer annuals are to be planted at all main entrances and areas if full visibility of the public. A second summer planning must be done when required.

Findings related to the Tuynhuys Garden and Queen's Garden (046547)

- ▶ Tuynhuys Gardens:
 - > Tuynhuys Gardens is not in a condition which one would expect for the Presidency and has several open areas in plant beds.
 - > The garden irrigation also does not work. It is understood that the recent drought caused extensive damage.
 - > This implies that AFMS is not managing the gardens in terms of their contractual requirements.
- ▶ Queen's Garden
 - > The Queen's Garden also has significant gaps in between the plants, and according to the contractor "providing new plants is not part of the contract".

- > This is incorrect, as per the quoted extracts above. The contract makes provision for the planting of annual plants.
- > The way in which the gardens are maintained is indicative that the people responsible for garden maintenance are not gardening specialists, as some of the plants in the garden, such as large wild iris (*Dietes grandiflora*) and Fairy crassula (*Crassula multicava*) can easily be propagated by division, and are available in abundance in the Precinct.

Root cause

- ▶ Contract does not include the replacement of perennial plants.
- ▶ Inadequate quality management by the contractor, consultants and the Department.
- ▶ Lack of regular site visits by the Department's Project Manager.

Effect

- ▶ Fruitless and wasteful expenditure in terms of the PFMA. The Department paid for the maintenance of the irrigation system and it is not working.
- ▶ Gardens are not representative of the status of Parliament.

Recommendation

- ▶ Appropriate action through penalties should be taken against AFMS and Multi QS.
- ▶ Appropriate action should be taken against the responsible officials at the Department.
- ▶ Future contracts should be written to include perennial flowers.

Management comment and action plan

Management Comment:	Management has noted this finding.
Management's Action Plan to be implemented:	Management will engage Horticultural Services within the Department to assist and adopt the recommendations given on this finding.
Responsible Official:	D. Projects.
Planned Implementation Date:	30 October 2020.
Internal Audit Conclusion:	Management comments are noted, however the project manager responsible for the contract should also be engaged to establish why compliance with the contract was not maintained.



SECTION V: PROJECT MANAGEMENT

SECTION V: PROJECT MANAGEMENT

STRATEGIC FINDINGS

Finding 9: Project management system is outdated

Finding Rating	Critical
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Criteria

This finding primarily relates to “What you don’t measure on a project, programme and portfolio level, you don’t manage on a project, programme and portfolio level”, and it falls into the “Schedule Control” section in PMBoK:

Schedule Control is the process of monitoring the status of project activities to update project progress and manage changes to the schedule baseline to achieve the plan. The key benefit of this process is that it provides the means to recognize deviation from the plan and take corrective and preventive actions and thus minimize risk. The inputs, tools and techniques, and outputs of this process are depicted in Figure 6-22

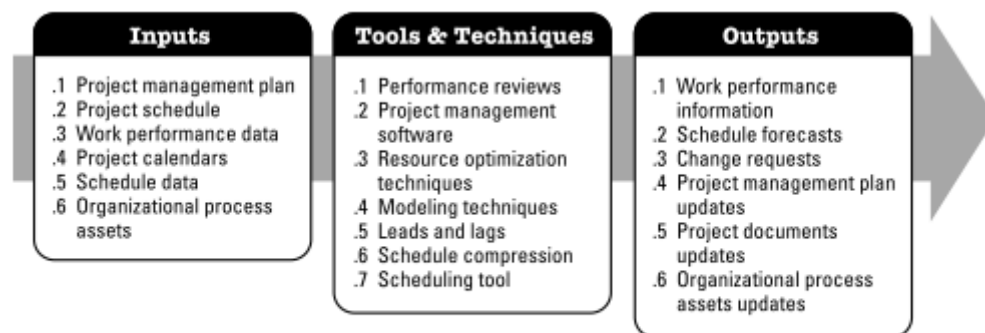


Figure 6-22. Control Schedule: Inputs, Tools & Techniques, and Outputs

(Project Management Institute, 2013).

Control/Evidence required
<p>From National Treasury SIPDM:</p> <p>An annual performance report shall be prepared for each portfolio of projects involving infrastructure delivery within two months of the financial year end which reflects performance in relation to at least the following (the author of the report sorted the requirements (a - h) into Cost and Schedule requirements:</p> <p>Cost:</p> <ul style="list-style-type: none"> a) expenditure incurred in infrastructure delivery for the financial year, against the budget made available to cover such expenditure at the start of the year; c) an overview of all packages where stage 7 (the actual works) was completed within the financial year and the total of the prices and the time for completion at the start of the contract or when the order was issued exceed 20%, together with a brief explanation as to why such increases occurred;

Control/Evidence required
<p>d) the average time taken to award a contract, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure to a decision being taken to award the contract;</p> <p>f) the average difference between the total of the prices in the payment certificate that was issued following the completion of stage 7 (the actual works), and the total of the prices at the end of stage 9 (close out);</p> <p>Schedule:</p> <p>b) the average variance between planned and achieved completion of stages of all packages and projects;</p> <p>e) the average time taken, in respect of all packages covered in the report, to complete stage 8 measured from the time that stage 7 (the actual works) is completed;</p> <p>g) the average time taken to award a contract above the threshold for quotations, measured from the closing date for tender submission or the final submission made in terms of a proposal or competitive negotiations procedure, to the acceptance of the tender evaluation report; and</p> <p>h) the average number of days that payment is later than that required under the terms of a contract (National Treasury, 2015).</p>

Finding

- ▶ The WCS system currently in use is from the mid-1980s and is a financial management system, not a project planning, management and reporting system. The system not fit for purpose and one is not able to draw reports from the system.

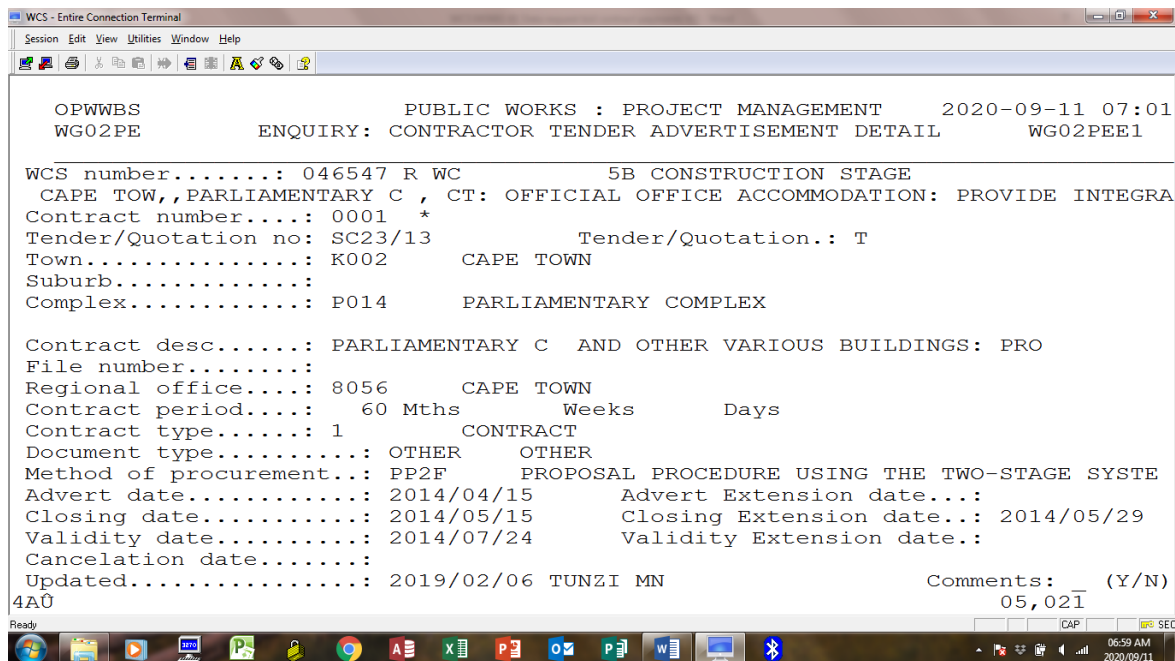


Figure 52: Example for WCS

- ▶ The system is unable to produce modern project management tools such as:
 - > Work Breakdown Structure: A work breakdown structure (WBS) is a way to organize the work into smaller, more manageable pieces. According to the Project Management Body of Knowledge (PMBOK), WBS is a deliverable oriented hierarchical decomposition of the work to be executed by the team.
 - > Gantt Charts: A Gantt chart is another visual project management technique, but this one has even more applications for a project manager. Making a Gantt chart is a technique, but it can be combined with a Gantt chart tool to make that technique much easier to execute.
 - > Program evaluation and review technique (PERT): A project management technique to help with time estimates. Scheduling is critical to getting a project completed on time, obviously, but also within the set budget.
 - > Critical Path Method: This is the cornerstone of project management techniques and ultimately an algorithm used to help with decision-making. By taking in specific data (start time, duration, finish time), it determines which activities are most important or critical for the project's success.
 - > Project, Programme and Portfolio dashboards which provides:
 - “Top 10” lists, i.e. schedule and cost overruns.
 - Lists of projects which need special attention as they are over budget or over schedule.
- ▶ It is understood that the NDPWI is in the process of rolling out ARCHIBUS - which is a property management system, not a project management and implementation system.
- ▶ The use of ARCHIBUS will not solve the inadequacies described above.

Root cause

- ▶ Lack of understanding the complexities of the FM portfolio due to the fact that data is not available to adequately assess the assets by the NDPWI.
- ▶ Lack of appropriate project management implementation strategy and policies.

Effect

- ▶ Inability to efficiently monitor and manage project progress on an ongoing basis.
- ▶ Inadequate and unreliable monitoring and reporting.
- ▶ Non-compliance with National Treasury and CIDB's proposed SIPDM and now FIPDM since 2019.

Recommendation

- ▶ It is recommended that the NDPWI considers the implementation of suitable software to assist in project planning, management and reporting.
- ▶ A suitable policy / procedure then needs to be created and the required skills need to be acquired to implement and manage the project management system.
- ▶ Appropriate training needs to take place to enable staff to administer, manage and utilise such a system.
- ▶ The NDPWI needs to consider a policy regarding which existing projects needs to be managed on such a system, as it does not make sense to migrate projects which are nearing completion to a new system.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management's Action Plan to be implemented:	<ul style="list-style-type: none"> • Implementation of IDMS is at critical implementation stage. • New SOPs have been compiled for signature.
Responsible Official:	DDG: CPM
Planned Implementation Date:	-
Internal Auditor Conclusion	Management accepted the finding, but no solution was engaged upon related to the weaknesses of the current system. We maintain that the NDPWI considers the implementation of suitable software to assist in project planning, management and reporting. The current action plan is silent on the systemic problems which will continue to exist.

Finding 10: There are no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the PFMA, SIPDM and APM Project Controls Framework.

As per PMBoK: *Project Risk Management includes the processes of conducting risk management planning, identification, analysis, response planning, and controlling risk on a project. The objectives of project risk management are to increase the likelihood and impact of positive events, and decrease the likelihood and impact of negative events in the project (Project Management Institute, 2013).*

Control/Evidence required
<p>Section 38 of the PFMA General responsibilities of accounting officers.</p> <p><i>(1) The accounting officer for a department, trading entity or constitutional institution (a) must ensure that that department, trading entity or constitutional institution has and maintains–</i></p> <p><i>(i) effective, efficient and transparent systems of financial and risk management and internal control.</i></p> <p>From Guide for Accounting Officers Public Finance Management Act (National Treasury, 2000):</p> <p>In broad terms, the Act makes each accounting officer responsible for effective, efficient, economical and transparent use of resources. More specifically, he or she must ensure that the following are in place:</p> <ul style="list-style-type: none"> • An effective, efficient and transparent system of financial and risk management and internal control (National Treasury, 2000). <p>Internal controls are the systems (manual or electronic), procedures and processes that are implemented to minimise the risk (and any financial consequences) to which the department might otherwise be exposed as a result of fraud, negligence, error, incapacity or other cause (National Treasury, 2019a).</p> <p>From the NDPWI, Risk Management Policy:</p> <p>The objectives of the Department's Risk Management Policy are to ensure that the risks arising from the strategic objectives, programmes and projects planned are identified and prioritised (Department of Public Works, 2019).</p> <p>Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work (Department of Public Works, 2019).</p> <p>1.8. Risk Management Principles</p> <p>The following are key risk management principles which are essential for a successful risk management process in the department:</p> <p>VII. The annual strategic planning and budgeting processes shall include risk assessments.</p> <p>VIII. Risk assessments will be conducted by Risk Management Unit once annually and/or whenever there have been changes in environment.</p> <p>IX. <u>Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work.</u></p>

Control/Evidence required
<p>From the Construction - Project Management and Engineering Services SOP (Version 05.02, dated 2018-11-13)</p> <p>Several sections referring to the requirements for risk management on projects.</p> <p>From SIPDM:</p> <p>The National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM) establishes:</p> <p>13.1.1 Risk registers shall be established and maintained to enable risk mitigation relating to infrastructure procurement and delivery management to be proactively managed at a portfolio, programme, project and contract level. Such registers shall as a minimum contain:</p> <ol style="list-style-type: none">the entry date of the risk;a description of the risk, i.e. risk event, cause and possible outcome;the measures and action to mitigate risk, i.e. a description of the action, responsibility for action and timetable for implementation;action status, i.e. actioned, take no action, monitor and review or to be actioned. <p>13.1.2 Those responsible for establishing and maintaining risk registers shall issue risk reports when called upon to do so.</p>

Finding

- ▶ The following was established during the audit regarding the NDPWI's Risk Management Policy:
 - No evidence could be found of ongoing, formal project risk assessments for capital projects.
 - No formal requirements could be identified for project risk management in the tender documentation which are issued to consultants or contractors.
 - There were no project risk registers found in any of the 12 sets of project management files which were reviewed.
 - There are no risk register templates published on <http://www.publicworks.gov.za/consultantsdocs.html>.
- ▶ The following was established during the audit regarding the Construction - Project Management and Engineering Services SOP:
 - It appears that the SOP is approved and has not been distributed, as there is no "Distribution Status" indicated on the procedure, version 05.02.
 - Issues related to Dolomite (2.2, 2.7, 2.8, 3.1, 3.3), Preliminary Design Report (Section 6/2) and SCM (Section 2.3, 7.5, 7.7, 7.9, 8.3, 8.4, 8.8) are the only project risks issues which are covered.
 - The SCM requirements are vague, i.e. "The PM conducts a risk assessment on the consultants". What are the objectives attached to this assessment? Ability to complete the works in time? Ability to meet the project cost objectives? The report could state that "The PM conducts a risk assessment on the consultants to determine their ability to complete the project development phase objectives (cost, schedule, quality and technical objectives) as well as ability to manage these risks during the construction and close-out phases of the project".
 - The Design Report requires (Section 5.3) that "Risk assessment and mitigating measures to be taken, including Operational, Health and Safety during Construction". There is no requirement in this document of a formal project risk management process, related to meeting the project's cost, schedule, quality and other objectives, during the project development phase, project implementation, and close-out phases of the project.

Root cause

- ▶ Lack of adequate Project Risk Management policies and processes.
- ▶ Lack of appropriately skilled resources and gaps in the organogram.
- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of approved Standard Operating Procedures.

Effect

The effects of not having formal project risk management policies and procedures in place are as follows:

- ▶ Value is not managed and protected. In terms of project management, it implies that projects cost more, take longer to complete and have delays in the implementation of their benefits.
- ▶ If the risks are not known and managed, risk-based decision making is not taking place.
- ▶ If the risks are not known and managed, uncertainty is not understood and treated on a project level.
- ▶ Continuous improvement is not achieved, as risk management facilitates continuous improvement.

Recommendation

- ▶ It is further recommended that a project risk management policy and associated procedures are developed, taking appropriate project management methodologies, the organization's capacity and project portfolio into consideration.
- ▶ It is recommended that the issues identified in the Construction - Project Management and Engineering Services SOP are addressed and that formal requirements are made for consultants and contractors to do ongoing risk assessments on the projects. This document should also make provision for important project related risks to be escalated into the ERM risk register.
- ▶ The project risk management policies and procedures then need to be rolled out to internal and external stakeholders. Project risk management should also be made a mandatory requirement on all projects undertaken within the portfolio.
- ▶ Appropriate internal and external training should take place on the purpose and benefits of project risk management.
- ▶ Appropriate project risk management controls should be incorporated in a project controls framework, with emphasis on better decision-making, and not just to meet compliance requirements.
- ▶ The project risk management framework should also make provision for the documentation of lessons learned.

Management comment and action plan

Management Comment:	<p>The finding is partially correct, there are no project specific risk assessments done when the project is implemented.</p> <p>The Department and Parliament have started compiling project charters that also have a risk management aspect, but this is not done on an ongoing basis.</p> <p>There is a generic risk register that captures some risks identified.</p> <p>A risk assessment forms part of the supply chain management process.</p>
Management's Action Plan to be implemented:	<p>A proper risk management mitigation plan to form part of the planning process for each project. This will be reviewed on each stage of the project. The above recommendations are also noted and will be adopted on approval.</p>
Responsible Official:	<p>DDG: CM (Head Office).</p>
Planned Implementation Date:	<p>Immediately after approval for Prestige Projects.</p>
Internal Auditors Conclusion	<p>We note management's comments and recommend that a follow up audit on risk management be concluded within the next 12 months to validate that project risk registers exist. It should however also be noted that project risk assessments must be conducted on all projects and would not be limited to the Prestige Projects.</p>

Finding 11: Inaccurate project schedules and excessive extension of time delays

Finding Rating	Critical
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Context

To determine the root cause of Extension of Time delays (EOT), an extensive data analysis was conducted on the following projects, using the information obtained from the project financial reports:

- ▶ NCOP Building Refurbishment;
- ▶ Tuynhuys / Business Hub;
- ▶ Marks Building external renovations;
- ▶ 90 Plein Street, 6th Floor Total Refurbishment;
- ▶ 100 Plein Street, External Repairs ;
- ▶ Access Control Parliamentary Villages;
- ▶ National Assembly/NCOP/Old Assembly: Replace 19 Lifts; and
- ▶ Swans Garage Redesign.

Based on this analysis, the following table was compiled:

Project	Accepted Extension of time (Days)	Cost (R million)
NCOP Building Refurbishment	258	R4.45
Tuynhuys / Business Hub	346	R2.79
Marks Building external renovations	589	R1.40
Residences of Sessional Officials Refurbishment	613	R16.17
90 Plein Street 6th Floor Total Refurbishment	110	R1.24
Access Control Parliamentary Villages	120	R0.91
National Assembly/NCOP/Old Assembly: Replace 19 Lifts	90	Could not be established
Swans Garage Redesign	54	R0.35
Grand Total	2180	R 27.31

Criteria

The criteria are presented in terms of the PFMA and the CIDB General Conditions of Contract 2004 (GCC 2004).

Control/Evidence required
<p>Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised” (South Africa, 1999b).</p> <p>The CIDB General Conditions of Contract 2004 (GCC 2004) : CIRCUMSTANCES WHICH GIVE RISE TO CLAIMS FOR EXTENSION OF TIME (Clause 42) <i>Delays which fairly entitle a Contractor to make a claim for extension of time include:</i></p> <ul style="list-style-type: none"> • <i>the amount and nature of additional work;</i> • <i>abnormal climatic conditions;</i> • <i>any failure of delay on the part of the Employer or his agents, employees or other contractors in their obligations as are reasonably necessary for the works to proceed;</i>

- *any of the provisions which allow for an extension of time (i.e. clauses 3.2, 11.2, 13.6, 15.1, 18.2, 25.3, 39.2, 41, 47 and 54,4);*
- *any disruption of labour which is entirely beyond the contractor's control.*

The Contractor is paid the additional time related General Items in the Pricing Data should an extension of time be granted.

Finding 1: Site access is a major contributor to EOT claims inside the Parliamentary Precinct

▶ As per the table below, there were 1 447 working days for EOT, of which site access contributed 1 172 days (81.0%). This is a systemic issue and appears not to be addressed in the project schedules. The site access issues relate to decanting, security access delays and work stoppages by user departments.

Type	Detail Description	NCOP Building Refurbishment	Tuynhuys / Business Hub	Marks Building external renovations	90 Plein Street 6th Floor Total Refurbishment	National Assembly/NCOP /Old Assembly: Replace 19 Lifts	Swans Garage Redesign	Grand Total	%
DPW / Project / Technical	Asbestos				97			97	
	Condition of Existing Building	69						69	
	Inclement Weather		3	4				7	
	Lack of Storage Space					5		5	
	Late appointment of Engineer by DPW						53	53	
	Technical Difficulties				9	35		44	
	TOTAL		69	3	4	106	40	53	275
Site Access	Decanting / Alternative site requirements	123		393				516	
	Election / Death of Nelson Mandela				1	8		9	
	Legal Process		22					22	
	Occupied building / Continued Services	66						66	
	Parliamentary calendar			35	3	7	1	46	
	Security clearance delay			132		30		162	
	Work stoppages by user department		321	25		5		351	
	TOTAL		189	343	585	4	50	1	1172
GRAND TOTAL WORK DAYS		258	346	589	110	90	54	1447	

- From the above, we established that (i) Decanting / Alternative site requirements, (ii) Work stoppages by Parliament and (iii) Security clearance delays contribute 71.1% of the 1 447 days identified.

EOT Extension Type	Extension Main Type	Total	%
Decanting / Alternative site requirements	Site Access	516	35.7%
Work stoppages by user department	Site Access	351	24.3%
Security clearance delays	Site Access	162	11.2%
Asbestos	Project / Technical	97	6.7%
Condition of Existing Building	Project / Technical	69	4.8%
Occupied building / Continued Services	Site Access	66	4.6%
Late appointment of Engineer by DPW	Project / Technical	53	3.7%
Parliamentary calendar	Site Access	46	3.2%
Technical Difficulties	Project / Technical	44	3.0%
Legal Process	Site Access	22	1.5%
Election / Death of Nelson Mandela	Site Access	9	0.6%
Inclement Weather	Project / Technical	7	0.5%
Lack of Storage Space	Project / Technical	5	0.3%
		1447	100%

Finding 2: Some projects are completed within budget, but with extensive time delays

- The below projects were completed within budget, but with extensive time delays, as indicated in the next table (all amounts in R million):

	05 Tuynhuys / Business Hub	08 90 Plein Street 6th Floor Total Refurbishment	11 National Assembly/NCOP/Old Assembly: Replace 19 Lifts	12 Swans Garage Redesign
COST PERFORMANCE				
Initial Authorisation	R57.8	R25.93	R19.43	R13.77
Actual spend	R54.01	R20.93	R18.56	R13.45
Cost over budget (R Million)	-R3.74	R0.00	-R0.87	-R0.32
SCHEDULE PERFORMANCE				
Time over budget (Months)	+15.6	+5.4	+ 3.0	+ 2.7
% Over Schedule	129.7%	67.9%	43.3%	22.8%
Planned duration (Months)	12	8	3	12
Actual duration (months)	27.6	13.4	10	14.7
Total Extension of time claims (work days)	346	589	90	54
Extension of time claims due to Site Access issues (work days)	299	560	80	0

- ▶ This means that either the initial budgets were (i) inflated, or (ii) inaccurate or that (iii) contingency amounts were “hidden” to manage scope uncertainty, as well as Extension of Time Claims in the Parliamentary Precinct.
- ▶ It is highly unlikely that a project would be over the time-budget by 346 workdays, and still be within cost-budget.

Root cause

- ▶ Lack of sufficient planning and stakeholder engagement at the time the project goes into construction.
- ▶ Lack of the use of project planning tools.
- ▶ Inappropriate inter-governmental planning and communication.
- ▶ Lack of suitably experienced project planners at the NDPWI.
- ▶ Lack of scrutiny of schedules presented by the consultants and contractors.
- ▶ Lack of utilisation of modern quantitative risk techniques to estimate project schedule contingency.
- ▶ Lack of incorporating lessons learned from other projects.

Effect

- ▶ Excessive budgets are allocated to projects to accommodate the gaps in planning, thereby creating an opportunity cost for other operational priorities i.e. the excess budget allocated to these projects could have been used in other areas.
- ▶ Extension of time claims and their administrative costs.
- ▶ Unrealistic expectations regarding estimated project completion.
- ▶ False impressions are created regarding successful projects.
- ▶ Possible fruitless and wasteful expenditure in terms of the PFMA, where the “budgets are spent”, and value for money is not obtained.
- ▶ “In trouble” projects are not identified, and suitable treatment plans are not implemented.

Recommendation

- ▶ Project methodology to include sufficient, continuous stakeholder engagement and planning to ensure that project schedules are accurate.
- ▶ Appropriate project planning tools need to be used and the project plans produced by the consultants and contractors need to be scrutinised by suitably experienced project planners.
- ▶ Appropriate modern risk simulation techniques need to be employed to determine project schedule contingencies.
- ▶ The capturing and incorporation of lessons learned from previous projects (and this audit report), need to be incorporated in the planning of projects.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management’s Action Plan to be implemented:	Projects implementation plan has already been presented to Executive Authority. It needs to be signed and adopted to close the gaps that cause project overruns.
Responsible Official:	CD: Prestige.
Planned Implementation Date:	November 2020.

Finding 12: Inadequate portfolio and programme management systems

Finding Rating	Critical
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Criteria

The findings related to Project Portfolio Management (PPM) are discussed in terms of the 6 main components of a Maturity Model which was completed on 15 October, between discussions with representatives from Parliament and the NDPWI. For each of these components, a main finding has been made.

These findings are made in terms of SANS 21504:2019: Project, programme and portfolio management – Guidance on portfolio management: (South African Bureau of Standards, 2019).

Control/Evidence required
<p>1. Portfolio Governance: SANS21504:2019 (p. 13): Governance of portfolios consists of the principles by which a portfolio is authorised and directed. Governance provides the policies, authorities, processes, procedures, standards and accountability necessary to conduct the management and leadership of the portfolio. Portfolio management is undertaken within the boundaries established by the governance. Governance of portfolios should be aligned with organizational governance.</p> <p>2. Project Opportunity Assessment SANS21504:2019, Section 5.5.3, (p. 8): Potential portfolio components should be selected for inclusion in the portfolio by the results of the evaluation of their contribution to strategic objectives, using the established selection criteria. This selection includes assigning a priority to each of the potential portfolio components and balancing the overall content by:</p> <ul style="list-style-type: none"> ▪ the contribution to achieve strategic objectives; ▪ the ranking of the contribution to strategic objectives; ▪ the exposure to inherent risk; ▪ the ranking of the exposure to inherent risk; ▪ the impact on available resources; ▪ the impact on the portfolio’s risk exposure; ▪ the capacity and capability of the organization to absorb the totality of the changes from all components. <p>The effect of the lack of maintenance planning, funding, reporting and eradication of maintenance backlogs have been regularly reported topics in the current South African context.</p> <p>3. Project Prioritization and Selection: ISO21504:2019 (Section 4.5, p.5) Criteria for selection and prioritization of portfolio components should be defined and verifiable. These criteria should reflect defined portfolio objectives that should align with the organizational strategy. The criteria should also reflect the values, principles, other organizational policies and targeted benefits.</p>

Control/Evidence required

The definition and documentation of such criteria should reflect that:

- selected portfolio components support the organization in achieving its strategic objectives and realizing specific benefits;
- a method is available to evaluate to what extent the portfolio is in alignment with the tolerated risk exposure;
- a balanced portfolio is maintained;
- a structured and consistent method is followed for evaluating and aligning the mix of portfolio components;
- comparability exists among portfolio components of different types.

4. Portfolio and Project Communication Management

SANS21504:2019, Section 4.8, (p. 6): A performance reporting structure and method with measurement criteria should be established to monitor achievement of portfolio objectives and organizational strategic objectives. This should include reporting for the portfolio as a whole and for each component to:

- enable decision making and provide timely alerts of performance variances;
- enable the organization to continuously improve strategic financial forecasting and benefits realization;
- enable tracking of schedules, costs, contributions, benefits, risks and resourcing;
- align the reporting cycle with the cycle of portfolio component development;
- integrate the reporting cycle with the project or programme life cycle processes used by the organization;
- enable reporting iterations of the portfolio and the progress towards acquiring benefits;
- report the status of the risk exposure of the portfolio for the organization.

5. Portfolio Performance Management

SANS21504:2019, Section 5.7.4, (p. 10): In order to provide appropriate information to stakeholders, the portfolio manager should:

- perform portfolio reporting;
- maintain a reporting cycle;
- integrate the reporting cycle across the portfolio.

SANS21504:2019, Section 4.8, (p. 10): A performance reporting structure and method with measurement criteria should be established to monitor achievement of portfolio objectives and organizational strategic objectives (South African Bureau of Standards, 2019).

6. Resource Management

SANS21504:2019, Section 3.2.3, (p. 13): Portfolio capability is the ability of the organization to apply resources to achieve strategic objectives. Decision makers should determine if the work within the portfolio can be accomplished. An organization should provide and maintain the capabilities it needs to run the organization in its current state and to implement the necessary changes to move it towards its strategic objectives.

Findings

Governance

- ▶ Project Portfolio Management deals with the question of "Doing the right projects".
- ▶ There is no overarching procedure providing governance or guidance on ensuring that the correct projects are selected, prioritised and executed.
- ▶ No evidence related to risk assessment on the implementation and management of the project portfolio could be found.

Project Opportunity Assessment

- ▶ There is a process in place for approval of individual projects. No evidence could be found of an implemented procedure which evaluates if a project is aligned with a master plan.
- ▶ From our interviews with the FM service providers, a process gap regarding how maintenance projects are identified and carried over into a maintenance planning process was identified. (Finding 4: Maintenance responsibility not always carried over to FM contractors after maintenance contracts with original equipment manufacturers expire, page 76).

Project Prioritisation and Selection

- ▶ We could not identify any documented methodology which assists with the scoring of projects (refurbishment, upgrade, maintenance) to provide some guidance regarding prioritisation.

Project Performance Management

- ▶ There is no procedure for managing the performance of the project portfolio.
- ▶ Individual projects are reviewed, but no portfolio KPIs have been established.
- ▶ We also did not find evidence of monthly reporting and tracking of performance.

Communication Management

- ▶ There is no project management system which can produce project dashboards which may be used for project communication.
- ▶ There is no procedure indicating how PPM Communication Management should take place.

Management Resources

- ▶ Department is understaffed and not capacitated for the implementation and management of PPM.
- ▶ No evidence could be found that project portfolio management has taken place for the Department as well as Parliamentary stakeholders. This training is important, as it also informs the stakeholders regarding gaps in the processes and procedures.

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of adequate capacity.
- ▶ Inappropriate inter-governmental planning and communication.

Effects

The possible effects of this are as follows:

- ▶ Inadequate portfolio management and various delays in project implementation due to lack of adequate intergovernmental consultation, communication and project management.
- ▶ The NDPWI do not obtain full business value of projects if not aligned to the either NDPWI or Parliament's strategic direction and project portfolio objectives.
- ▶ Current limited resources (Funding, Project Management Capacity, Portfolio Management) might not be optimally employed. This means that the parts of the portfolio, i.e. maintenance and refurbishment requirements, might not be getting the resources and focus required.

- ▶ Portfolio performance management is not taking place, which in turn might lead to missed opportunities related to the effective deployment of limited resources.
- ▶ The deficiency in measurement and monitoring ultimately leads to poorly managed projects which, on the NDPWI scale, has a large impact both financially and operationally. The term “What is not measured, is not managed” comes to mind.
- ▶ Benefits related to an implemented PPM system not being realised.
- ▶ Reduction in customer satisfaction from client departments, leading to conflict and strained relationships between stakeholders.

Recommendations

Governance

The following recommendations are made:

- ▶ A procedure needs to be created which formally addresses project portfolio management and its associated principles and objectives. When creating this procedure, the following standards should be considered:
 - > SANS21504-2019: Project, programme and portfolio management – Guidance on portfolio management, (South African Bureau of Standards, 2019).
 - > The Standard for Portfolio Management - Fourth Edition, (Project Management Institute, 2017).
- ▶ Portfolio management processes and systems should be aligned with the following organisational processes and systems:
 - > performance reporting processes and systems;
 - > resource management processes and systems;
 - > risk management processes and systems;
 - > financial management processes and systems;
 - > project and programme management processes and systems;
 - > communication methods and cycles;
 - > business planning and systems (South African Bureau of Standards, 2019)..
- ▶ A risk management policy for the portfolio should be defined and referenced in the PPM governance procedure. To manage portfolio risk, the portfolio manager should use the defined risk policy for the portfolio to:
 - > determine the level and tolerance of risk that is acceptable within the portfolio;
 - > develop or adapt an analysis technique for risks held at the portfolio level;
 - > identify risks at the portfolio level based on identified risks for each portfolio component;
 - > analyse and prioritize the portfolio risks considering such items as priority of strategic objectives, goals, benefits and the relationships among components;
 - > evaluate the risks over time including changes that should be monitored for risk impact and changes in portfolio composition (South African Bureau of Standards, 2019).
- ▶ A risk assessment should be conducted on the implementation of the PPM management to ensure that appropriate treatment plans are implemented and assigned to treatment plan owners, and that the risks are reviewed regularly.

Opportunity Assessment

- ▶ A procedure needs to be created which explicitly addresses project selection and prioritisation. This is applicable to new build, refurbishment and maintenance projects.

Project Prioritisation and Selection

- ▶ These selection criteria need to be aligned with stakeholder expectations and should be published.

- ▶ Suitable training should be conducted on the reasons for prioritisation, as well as how the prioritisation scores are applied.
- ▶ Project prioritisation scores should also be made public.
- ▶ The portfolio management processes should include validation and alignment to strategic objectives as well as maintaining alignment with risk tolerance, resource capacity and capability.

Project Performance Management

- ▶ Performance reporting on the project portfolio should include:
 - > The achievements of the previous period.
 - > Shortfalls encountered during the previous period.
 - > For the shortfalls, treatment plans and control effectiveness of implemented treatment plans.
- ▶ KPIs related to the above should be implemented on appropriate levels of the Department and stakeholders.
- ▶ In order to effectively manage the performance of the portfolio, the portfolio manager should undertake activities to:
 - > track portfolio component level performance;
 - > track overall portfolio performance;
 - > maintain a portfolio measurement baseline;
 - > track contributions of portfolio benefits and compare them with the current strategic objectives;
 - > provide forecasting, including but not limited to resource and capacity utilization and strategy and risk.
- ▶ Further, to manage performance of the portfolio, the portfolio manager should also analyse:
 - > both top-down and bottom-up the portfolio component composition, alignment and performance;
 - > the impact of individual portfolio component performance on the performance of the entire portfolio and achievement of prioritized strategic objectives;
 - > the impact of the interaction among the portfolio components and the impact of these interactions on the performance of the portfolio (South African Bureau of Standards, 2019).

Portfolio and Project Communication Management

- ▶ A procedure for PPM Communication Management should be developed or these requirements should be included in the PPM Governance Procedure. This should also include adequate reporting structures to ensure that project information is available, and that adequate oversight can be exercised.
- ▶ Capacity should be created to ensure that the related meetings and reporting take place as required.
- ▶ Technical committee meetings ToR needs to be established and meetings need to take place accordingly.
- ▶ Project dashboards should be reviewed to ensure that the requirements of the Project Portfolio Management procedure are incorporated.

Management comment and action plan

Management Comment:	Management partially accepts this finding.
Management's Action Plan to be implemented:	<p>Portfolio Management is at core function of Prestige and CPM. The gaps identified on this report will be taken into consideration to strengthen the approach.</p> <p>The project implementation framework seeks to address some of the inefficiencies that were identified between the Department and Parliament.</p>
Responsible Official:	CD: Prestige.
Planned Implementation Date:	December 2020.
Internal Auditor Conclusion	The core functions linked to portfolio and programme management remains inadequate - management did not indicate how they will ensure all the recommendations will be considered. The framework without capacity (human resources, skills and systems) will not achieve appropriate portfolio and programme management.

Finding 13: Specifications not aligned with long-term low maintenance strategy

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the SIPDM requirements, mainly related to value for money. This finding relates to long term strategic philosophy, which should attempt to strike a balance between initial capital cost, and long-term maintenance costs.

It also relates to Bid Committees with regards to specifications and evaluations where long term low maintenance was not build into the specifications and not considered at all when evaluated due to lack of skills and capacity.

Control/Evidence required
<p>From SIPDM: Introduction</p> <p>The fiscus has limited financial resources to fund infrastructure projects. New infrastructure projects need to be budgeted for, taking into account future operation and maintenance costs and current commitments (National Treasury, 2015).</p> <p>Value for money may be regarded as the optimal use of resources to achieve the intended outcomes. Underlying value for money is an explicit commitment to ensure that the best results possible are obtained from the money spent, or maximum benefit is derived from the resources available (National Treasury, 2016b).</p> <p>From SIPDM: Section 1: Scope</p> <p>The SIPDM provides a control framework for the planning, design and execution of infrastructure projects, the tracking of such projects and the monitoring of performance which:</p> <ol style="list-style-type: none"> 1) enables risks to be proactively managed; 2) is capable of being audited; 3) is aimed at ensuring that any infrastructure acquired or to be acquired: <ul style="list-style-type: none"> • is in accordance with the legal mandates and strategic priorities; • is delivered in the right quantity and quality, and at the right place and time; • is financially, economically and technically viable and offers value for money over its life cycle; • is affordable in terms of existing budget and future budgetary projections after taking into account life cycle costs; • is acquired in accordance with any is acquired in accordance with any required statutory permissions; • makes optimal utilisation of existing infrastructure as demand patterns change over time; • can be readily and economically maintained; and • is aligned between those who design and construct infrastructure, and those who subsequently occupy, use and manage the infrastructure (National Treasury, 2016b). <p>7.1 Procurement of new infrastructure and the rehabilitation, refurbishment or alteration of existing infrastructure</p> <p>7.1.1 Budgets submission for budget approval to advance a project or package relating to the delivery or planned maintenance of infrastructure in a financial year shall be broken down into the stages (see Figure 1) which have been completed (National Treasury, 2015).</p>

Finding

This finding relates to the following projects:

Project	Finding
Tuynhuys / Business Hub Renovation / Goede Hoop building	<p>General issues relate to the specifications, long-term maintainability and cost of the facility, especially the business hub, which included the following:</p> <ul style="list-style-type: none"> > The use of wooden flooring in high traffic areas, which will not give extensive lifecycles. > The skylight is very impressive but creates long-term cleaning (from the outside), energy cost (air conditioners need to maintain temperatures in building due to solar radiation) as well as access for maintenance/ waterproofing issues. There were already some leaks at the air conditioner soffits, which relates to bad installation quality. > The curved ceiling boards were cracking, as the methodology and materials selected were not supporting the design. > The extensive use of small lights with difficult maintenance access. > The entrance doors at Tuynhuys were replaced with bullet proof glass. The hinging is inadequate for the weight of these doors, as they were already bent.
Residences of Sessional Officials Refurbishment	<ul style="list-style-type: none"> > The refurbishment done on the houses is considered acceptable. However, the kitchen cupboard specification is too low to support long-term low maintenance. > The kitchen counters should also have been specified at a higher level, as some of them already show signs of damage. <div style="text-align: center;">  </div>
90 Plein Street, 6 th Floor Total Refurbishment	<p>At a first glance, there is generally an acceptable level of commercial quality of the refurbishment, but not “old standard” NDPWI, which includes the following:</p> <ul style="list-style-type: none"> > Plastic power skirting and trunking covers were used, which is of a much lower quality and standard as compared to aluminium skirting. This was used around the edges of the offices, as well as

Project	Finding
	<p>on the roofs.</p> <ul style="list-style-type: none"> > It is doubtful if the floor covering (“wood appearance”) would provide the same lifespan as commercial grade tiling. > Wash basins fitted with heated and crimped PVC piping, instead of bottle trap that can be cleaned. Long term durability of PVC is a concern.
Access Control Parliamentary Villages	<ul style="list-style-type: none"> > Buildings were specified to be plastered and painted instead of the utilisation of face-bricks which is a simple and low maintenance option. The new gate house uses plaster and painted walls, with some cracks already appearing in the plasterworks. > The gate actuators are damaged as they were not specified correctly. > The intercom system, as described in Finding 7: Acacia Park intercom maintenance (page 87).
NCOP Building Refurbishment	<ul style="list-style-type: none"> > The manner in which the trays on which the air conditioner units are placed is not making provision for adequate maintenance of the waterproofing underneath the air conditioner units.

Figure 53: Specifications and long-term maintenance

Root cause

- ▶ Supply chain management specifications, evaluation and adjudication not performed with low-cost, long term maintenance in mind.

Effect

- ▶ Assets not achieving their intended lifecycle / has to be replaced earlier.
- ▶ Increased long term maintenance costs.

Recommendation

- ▶ It is acknowledged that this is a balancing act between funding, specifications, maintenance requirements, public perception on government spend as well as long term plans related to parliamentary accommodation. It is however, recommended that the tender documentation be clear regarding the scope, function and intended duration of the related asset.
- ▶ That the bid evaluation and adjudication committees have the training and capacity to evaluation tenders based on their long-term value, and not the cheapest option.

Management comment and action plan

Management Comment:	Management does not accept this finding.
Management's Action Plan to be implemented:	<p>The specifications used for the Mopane flats was to ensure that the department applies the principle of value for money since these are transit units and to also ensure that the standard is acceptable which was confirmed by the internal professionals. To date there has been no issues reported.</p> <p>The wooden floors were installed as per the User Client's request.</p>
Responsible Official:	Prestige, CPM and Parliament
Planned Implementation Date:	N/A
Internal Audit Comments	<p>We note the comments above, but maintain our recommendation that the specifications used should be aligned with the level of use in the buildings and other facilities.</p> <p>We also accept that the DPWI is not always in a position to prescribe the specifications to the Client.</p>

Finding 14: Project contingency is calculated using an unscientific method

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the APM Project Controls Framework.

Control/Evidence required
<p>From APM controls framework:</p> <p>2.3.2 Risk, issues and opportunities register</p> <ul style="list-style-type: none"> • Up-to-date, accurate and complete. • Risks analysed for cause, effect and impact. • Risks evaluated for financial and non-financial impacts. <p>2.6.1 Project cost and schedule contingencies</p> <ul style="list-style-type: none"> • Estimated with an appropriate level of probability analysis. <p>There is no scientific evidence that “rule of thumb” contingency / unforeseen estimates are accurate. This is a topic well described in subject literature, such as published by Moselhi (1997), AACE International (2008), Bakhshi and Touran (2014) as well as Hollmann (2016).</p>

Finding

The following was established during the audit:

- ▶ From the WCS Manual, the following recommendation regarding “Unforeseen” (p 35):
 - > Using function #WJ02PU, fill in the unforeseen amount (5% of the tender amount) and CPA as suggested by the Project Manager in his recommendation to the Bid Committee.
- ▶ The projects were reviewed and contained the following percentages for “Unforeseen” costs in their first Authorisations:

Project	Contract (R million)	Unforeseen (R million)	Total (R million)	Unforeseen (%)
FM: Official Office Accommodation	R 357.49	R -	R 357.49	0.0%
FM: Residential Accommodation	R 312.16	R -	R 312.16	0.0%
NCOP Building Refurbishment	R 91.98	R 4.60	R 103.20	5.0%
Tuynhuys / Business Hub Renovation	R 52.47	R 2.62	R 57.80	5.0%
Belvedere Building Refurbishment	Project stopped			
Marks Building external renovations	R 21.21	R 1.06	R 22.27	5.0%
Residences of Sessional Officials Refurbishment	R 68.44	R 3.42	R 77.46	5.0%

Project	Contract (R million)	Unforeseen (R million)	Total (R million)	Unforeseen (%)
90 Plein Street 6th Floor Total Refurbishment	R 23.79	R 1.19	R 25.93	5.0%
100 Plein Street External Repairs	R 18.28	R-	R 18.28	None
Access Control Parliamentary Villages	R 32.32	R 1.62	R 36.65	5.0%
National Assembly/NCOP/Old Assembly: Replace 19 Lifts	R 18.08	R 0.90	R 19.43	5.0%
Swans Garage Redesign	R 12.79	R 0.64	R 13.77	5.0%

Figure 54: Project contingency calculation

- ▶ The project 100 Plein Street External Repairs (045655) has no “Unforeseen” and this is not aligned with policy.
- ▶ There are no guidelines published on <http://www.publicworks.gov.za/consultantsdocs.html> related to how to use appropriate scientific methods to estimate contingency.
- ▶ The above problem is exacerbated by the refurbishment of heritage assets, where it may be problematic to establish as defects with related additional scope may only be identified during the actual construction process. This is especially applicable to heritage projects such as the Refurbishment of the National Chamber of Provinces, and the Marks Building external renovations. Both these projects were severely affected by extension of time claims, mainly due to (i) Parliamentary requirements and (ii) delayed site access due to offices not being evacuated in line with project planning requirements.

Description	NCOP Building Refurbishment	Marks Building external renovations
Project Cost Performance		
Contract duration: Planned	24 Months	18 months
Contract duration: Actual total	41.2 months	48.1 months
Project Cost Performance		
Authorisation 1	R103.20	R22.27
Original "Unforeseen"	R4.60 (5%)	R1.06 (5%)
Final Authorisation	R111.39	R41.63
Difference	7.9% - not complete yet/	86.9%
Contractor Payments to date	R81.61	R40.76

Figure 55: Overruns on Heritage Buildings - NCOP and Marks Building

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of appropriately skilled resources and gaps in the organogram.

Effect

- ▶ Inaccurate cost estimates, which will lead to additional funds to complete the project.
- ▶ Project completion delays due to additional approval requirements, if the requirements are substantial.
- ▶ Project extension of time claims and the administration of these claims.

Recommendation

- ▶ The way in which contingency is estimated needs to be aligned with modern quantitative risk methodologies as described by the American Association of Cost Engineers (AACE). This in turn implies that a risk management policy needs to be written which incorporates quantitative risk analysis on appropriate, high-value projects.
- ▶ The required skills need to be appointed to implement a quantitative approach with contingency estimation, and appropriate skills transfer needs to take place.

Management comment and action plan

Management Comment:	<p>Management notes this finding and will investigate the cost performance of historical projects to determine contingency guidelines for various types of projects.</p> <p>Management will also investigate the use of “Unforeseen” as well as “Management Reserve”, where the latter is applied for during the capital application for the project, but the release of these funds are bound by appropriate procedures and delegations of authority.</p>
Management’s Action Plan to be implemented:	<p>The FM contracts were handled differently but in the main unforeseen was used to fund some of the adjustments.</p> <p>The Department applies this principle as a control measure to minimise or slow down expansions.</p>
Responsible Official:	
Planned Implementation Date:	TBA.
Internal Auditor Conclusion:	We accept management comments.

Finding 15: Document information system is outdated

Finding Rating	Critical
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Criteria

PMBok:

Project Communications Management includes the processes that are required to ensure timely and appropriate planning, collection, creation, distribution, storage, retrieval, management, control, monitoring, and the ultimate disposition of project information.

Project managers spend most of their time communicating with team members and other project stakeholders, whether they are internal (at all organizational levels) or external to the organization.

Effective communication creates a bridge between diverse stakeholders who may have different cultural and organizational backgrounds, different levels of expertise, and different perspectives and interests, which impact or have an influence upon the project execution or outcome (Project Management Institute, 2013).

Control/Evidence required
<p>10.3 “Control Communications” is the process of monitoring and controlling communications throughout the entire project life cycle to ensure the information needs of the project stakeholders are met. The key benefit of this process is that it ensures an optimal information flow among all communication participants, at any moment in time.</p> <p>10.3.2.1 Information Management Systems: An information management system provides a set of standard tools for the project manager to capture, store, and distribute information to stakeholders about the project’s costs, schedule progress, and performance.</p> <p>Some software packages allow the project manager to consolidate reports from several systems and facilitate report distribution to the project stakeholders. Examples of distribution formats may include table reporting, spreadsheet analysis, and presentations.</p> <p>Graphic capabilities can be used to create visual representations of project performance information (Project Management Institute, 2013).</p>

Finding

Although the 12 sets of project files which were supplied for this audit, were able to provide most of the information required, the following critical control inefficiencies have to be noted:

- ▶ Document control is entirely paper-based, with project information stored in files. This is not in line with current best practice, where project management and engineering companies use systems such as ProjectWise, PMWeb and iPas. Software like this allows for (i) collaboration between stakeholders on electronically stored document and drawings, as well as the (ii) easy storage and retrieval of documents.
- ▶ The location of all documentation is difficult to track, as there is no system tracking the location of project files.
- ▶ There is a requirement that drawings are supplied back to the Department on CD. It is understood that the drawings from these CDs are then filed and archived in Pretoria. There is no system which can be access by various stakeholders which can be used to download and upload latest versions of drawings.

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of appropriate digital solutions to implement effective and efficient project management

Effect

- ▶ It is easy to remove documents from a paper file without any trace, where electronic systems would be more secure.
- ▶ The location of specific document files may be unknown.
- ▶ Project delays due to drawings not being readily available.
- ▶ Inaccurate estimates due to drawings not being available.
- ▶ Fire hazard of storing paper documents.

Recommendation

- ▶ It is recommended that the NDPWI considers the implementation of suitable software to store, manage and effectively retrieve documents.
- ▶ A suitable policy / procedure then needs to be created and the required skills need to be acquired to implement an electronic document management system.
- ▶ Appropriate training needs to take place to enable staff to administer, manage and utilise such a system.
- ▶ The Department needs to consider a policy regarding which of the legacy projects and drawings need to be uploaded onto such a system. This may include that (i) all existing drawings are uploaded, but that (ii) closed-out projects are not uploaded but kept in paper files only.

Management comment and action plan

Management Comment:	Management agrees with this finding.
Management's Action Plan to be implemented:	The Department has an outdated filing system. A strategy will be defined in line with the recommendations.
Responsible Official:	DDG CM
Planned Implementation Date:	TBA.
Internal Auditor Conclusion	We noted that the management action plan had no definite timeline in which the system will be addressed to ensure adequate filing processes are developed and maintained.

Finding 16: The Department’s risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the Department’s Risk Management Policy and APM Project Controls Framework.

Control/Evidence required
<p>From the Department of Public Works, Risk Management Policy:</p> <p style="padding-left: 20px;">The objectives of the Department’s Risk Management Policy are to ensure that the risks arising from the strategic objectives, programmes and projects planned are identified and prioritised (Department of Public Works, 2019).</p> <p style="padding-left: 20px;">Risk assessments will be conducted on ongoing basis for capital projects, Supply Chain Management processes, and other major internal areas of work (Department of Public Works, 2019).</p> <p>From APM controls framework:</p> <p style="padding-left: 20px;">2.3.2 Risk, issues and opportunities register:</p> <ul style="list-style-type: none"> • Up-to-date, accurate and complete. • Risks analysed for cause, effect and impact. • Risks evaluated for financial and non-financial impacts.

Finding

The following was established during the audit:

- ▶ Although there is a departmental risk register in place, the risk register is at too high a level and can be improved to be better aligned with the detailed risks related to project development and execution.
- ▶ The operational risk register does not contain sufficient risks related to achieving the project objectives such as cost, schedule, quality and legal requirements such as health and safety on projects. There is no mention of known issues such as (i) complete and accurate scope definition, (ii) accurate cost estimates and (iii) delivering value for money, fit for purpose infrastructure.
- ▶ The treatment plans referred to in the 2019/20 Operational Risk Register do not contain sufficient detail to effectively monitor the implementation of treatment plans. An example of this is “Automation and digitisation of manual systems for Prestige Services”.
- ▶ The operational risk register is not clear which systems (i.e. document control, project risk management, reporting and monitoring, project scope definition etc.) are referred to.
- ▶ The operational risk register does not contain risks related to specific long-term projects. The high-level risks from the project risk registers should be escalated into the Strategic Risk Register (or a separate section of this document).

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of appropriate project risk management. Risk management is seen as a compliance exercise and not as a tool to improve decision making and protecting value.

Effect

- ▶ Ineffective management of strategic risks, their treatment plans and risk control effectiveness.

Recommendation

- ▶ The risk register needs to be reviewed to ensure that the risk sources and treatment plans are more explicit in terms of the risk sources and the associated treatment plans.
- ▶ The risk register needs to be reviewed as an outcome of this audit to be more specific regarding the deliverables.

Management comment and action plan

Management Comment:	Management accepts this finding.
Management's Action Plan to be implemented:	The project risk register is to be amended to be project specific. This report will be used to improve this area.
Responsible Official:	DDG: CPM.
Planned Implementation Date:	January 2021.
Internal Auditor Conclusion	We accept management comments. A follow up review will be scheduled in this regard.

OPERATIONAL AND SITE FINDINGS

Finding 17: Lack of site safety management

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the Occupational Health and Safety Act (1993), as well as the Construction Regulations (2014).

Control/Evidence required
<p>From the Construction Regulations:</p> <p>Duties of Client -</p> <p>5. (1) A client must -</p> <p style="padding-left: 20px;">(n) take reasonable steps to ensure that each contractor's health and safety plan contemplated in regulation 7(1)(a) is implemented and maintained;</p> <p>7. (1) A principal contractor must–</p> <p style="padding-left: 20px;">(5) No contractor may allow or permit any employee or person to enter any site, unless that employee or person has undergone health and safety induction training pertaining to the hazards prevalent on the site at the time of entry.</p> <p>10. (1) A contractor must–</p> <p style="padding-left: 20px;">a) designate a competent person to be responsible for the preparation of a fall protection plan;</p> <p style="padding-left: 20px;">b) ensure that the fall protection plan contemplated in paragraph (a) is implemented,</p> <p style="padding-left: 20px;">c) amended where and when necessary and maintained as required; and take steps to ensure continued adherence to the fall protection plan.</p> <p>25. A contractor must, in addition to compliance with the provisions for the use and storage of flammable liquids in the General Safety Regulations, 2003, ensure that– (a) where flammable liquids are being used, applied or stored at the workplace concerned, it is done in a manner that does not cause a fire or explosion hazard, and that the workplace is effectively ventilated.</p>

Finding

These findings pertain to a site visit which took place at the NCOP building on 21 September 2020:

- ▶ The construction manager is knowledgeable and competent in terms of project scope, methodology and project delay issues, which is positive.
- ▶ Regarding non-compliance to the Construction Regulations:
 - > No induction took place before the site visit started.
 - > Adequate safety signs were not observed during the site visit. Numerous unmarked slips / trips and falls hazards were observed.
 - > Cable hangers in roof void plant room have protruding bolts which could cause injury, especially as the lighting is not working and one has to duck when walking underneath the cable hangers.

During the FM inspection on 28 September, the NCOP building was visited again. Unsafe construction practices were noted where workers did some grinding next to spilled turpentine on a wooden floor, without the presence of any fire equipment, or observed supervision. This was observed in the entry hall of the NCOP.

- ▶ Housekeeping was not up to the expected standards. Minimal evidence could be found of
 - > dust protection and dust-masking; and
 - > adequate protection of existing flooring / tiling / carpeting.
- ▶ Adequate supervision on site could not be observed.
- ▶ No drawings could be identified on site.
- ▶ Completed areas not locked and protected.

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of implementation and enforcement of safety regulations by consultants.
- ▶ Lack of regular safety audits by the Department.
- ▶ Lack of capacity of project managers to do regular safety visits.

Effect

- ▶ Injuries and fatalities.
- ▶ Project stoppages and/or fines by the Department of Labour or Parliament.
- ▶ Project stoppages and delays as a result of injuries and fatalities.
- ▶ Buildings damaged / destroyed by fire.

Recommendation

- ▶ Regular site visits and audits by the NDPWI (Project Managers, Health & Safety personnel) to ensure compliance to the OHS Act.
- ▶ Training on the requirements of the OHS Act to internal project stakeholders.
- ▶ Fines for non-compliance included in contractor tender documentation.

Management comment and action plan

Management Comment:	Management accepts the finding.
Management's Action Plan to be implemented:	Finding already rectified by the professional team and PMs. The permanent Health & Safety Officer was alerted to the problem.
Responsible Official:	Head of Projects.
Planned Implementation Date:	n/a.
Internal Auditor Conclusion	We accept the management comments. However, it must be noted if the project manager was on the actual site on a daily basis, these incidents could be addressed immediately.

Finding 18: Lack of quality management on refurbishment and upgrade projects

Finding Rating	Critical
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Context

Site visits took place at the NCOP Building, (21 September 2020), Tuynhuys and Goede Hoop buildings (21 September 2020), Marks Building (28 September 2020), Acacia Park (22 September 2020), Plein Street 90 (6th floor) (23 September 2020) and Swans Garage (28 September 2020) to inspect building quality.

Criteria

Control/Evidence required
<p>From the Department's Project Management and Engineering Services SOP (1.3, p65)</p> <p>The Consultants must be kept accountable for process; this includes:</p> <ul style="list-style-type: none"> • Issuing of Construction documentation and written instructions; • Inspect the works for conformity to the contract documentation; • Issue the certificate of practical completion (when ready); • Assist the User Department to obtain the certificate of occupation; • Issue Variation Order • Claim for Estimation of Time • Issuing of monthly financial cost reports • Payment Certificate • Provision of monthly progress report as per PMO progress report template • Professional Services should remain involved with the project to enable ad hoc queries / problem areas to be addressed. "Spot checks" could be made could be made to ensure that the quality of the Construction is acceptable to NDPWI.

Findings related to the Refurbishment of the NCOP Building (044232)



- ▶ Quality of implemented works was adequate.
- ▶ Tiling was adequate and sanitary installations in bathrooms were of acceptable quality.
- ▶ Several structural penetrations were observed - it is recommended that it is ensured that all these are signed off by a suitably qualified engineer.
- ▶ Quality of installed equipment is high, with specific reference to extraction canopies in kitchen, gas system, stainless steel piping, HVAC system and Gerberit systems in the toilets.




Findings related to the Sessional Official Accommodation at Acacia Park (045661):

- ▶ Five different types of housing were reviewed in Acacia Village.
- ▶ The condition of housing and related maintenance is generally acceptable.
- ▶ Some minor observations can be made regarding the recently renovated Mopane:
 - > soffits spalling,
 - > paint coming loose from walkways,
 - > loose down gutters
- ▶ The issues related to specifications (Finding 13: Specifications not aligned with long-term low maintenance strategy on page 112) is more important than the minor quality issues identified during the site visit.



Findings related to the Refurbishment of the 6th floor of 90 Plein Street (045650)

- ▶ The total cost for the renovation was R25.86 million (including consultant’s fees) and the floor space was 2 300m², giving a cost of R11 243/m².
- ▶ The AECOM 2019/20 Property Construction Cost Guide indicates that to construct a new high-rise tower block with standard specification would cost between R 11,500 - R 15,300/m², which indicates that the NDPWI did not obtain value for money, when the issues identified below are taken into consideration:

Comment	Evidence
<p>It is doubtful if a wheelchair would be able to easily navigate into the paraplegic toilets. This indicates that the works were not adequately designed including lack of oversight by the consultants and the Department.</p>	
<p>It is doubtful if the floor covering (“wood appearance”) would provide the same lifespan as commercial grade tiling.</p> <p>The poor installation quality is also shown with the application of what appears to be silicone.</p>	

Comment	Evidence
<p>Plastic power skirting and trunking covers were used, which is of a much lower quality and standard as compared to aluminium skirting. This was used around the edges of the offices, as well as on the roofs.</p>	
<p>The quality of the plumbing installation is of concern. The existing building is fitted with cast iron piping and the refurbishment was done with plastic PVC piping. Cleaning of drain piping and longevity of installation was not given the necessary attention.</p> <p>Plastic piping, with no inspection / cleaning on Y junction. There is no sealing where it enters service shaft.</p>	
<p>Wash basins fitted with heated and crimped PVC piping, instead of bottle trap that can be cleaned. Long term durability of PVC is a concern.</p>	

Comment	Evidence
Poor fitment of the piping and the tiles.	
Poor finishing off around water supply to urinal.	
Low Quality stop cocks to toilets, along with unacceptable installation quality.	

Comment	Evidence
Door grills are poorly fitted.	
The existing 7 th floor plant room is leaking water through the slab causing damage to the newly refurbished ceiling.	
It is doubtful if the door closures will last the required life cycle.	

In addition to the above, the site was not adequately cleaned up after renovation and hidden areas were left in poor condition. It raises concern about the level of supervision and inspection by the professional team and sign-off by NDPWI.



Figure 56: 90 Plein Street - 6th floor refurbishment: Quality issues

Findings related to Swans Garage (053095)

- ▶ During the site visit to Swans Garage, a leaking roof, floor cracking up (photo on left), poor building work above roller shutter door (photo on right), rising damp, and again the plastic power skirting was noted. The total cost of this refurbishment was R14.2 million



Figure 57: Swans Garage: Quality issues

Findings related to Replacement of Granite - Parliament (Value add finding)

This was outside the scope of the project, but the project auditors were informed of the issue while conducting site visits on 28 September 2020. The authorisation for this project was R2.7 million for the contractor and R0.24 million for the consultant.

The photos were taken in front of the NCOP Building. The quality of the works installed is not acceptable, as indicated in the photographs below:



Figure 58: Granite Replacement: Quality issues

Root cause

- ▶ Inadequate and poor project management.
- ▶ Inadequate project management capacity.
- ▶ Too much emphasis / trust placed on Consultants.
- ▶ Inadequate quality management by the contractor, consultants and NDPWI during maintenance and construction.
- ▶ The lack of engineering skills and technical capacity in NDPWI, responsible for providing and maintaining the Prestige Projects infrastructure, leads to maintenance being neglected or poorly executed because its importance is not recognised.
- ▶ Inadequate combined assurance, particularly the first line of defense being Prestige Projects.

Effect

- ▶ Poor maintenance and inadequate planning are leading to massive repair costs.
- ▶ These deficiencies often have a negative effect on the economic benefit of such infrastructure.
- ▶ Fruitless and wasteful expenditure in terms of the PFMA for acceptance of poor quality workmanship as well as for future maintenance that would be required sooner due to the poor quality workmanship.
- ▶ Higher maintenance costs.
- ▶ Customer dissatisfaction.
- ▶ Inaccessibility of facilities to Parliamentarians and people with disabilities are impacted by poor design and implementation of projects.
- ▶ Rodent problems may occur due to rubble not removed from site.

Recommendation

- ▶ For the NCOP Building, several structural penetrations were observed - it is recommended that it is ensured that all these are signed off by a suitably qualified engineer.
- ▶ Appropriate disciplinary action should be considered against the relevant officials for signing off of on work with bad quality, including the granite project. Where applicable, their conduct should also be reported to their respective professional bodies.
- ▶ Appropriate action should be considered against the relevant contractors and consultants. Where applicable, their conduct should also be reported to their respective professional bodies.

Management comment and action plan

Management Comment:	The findings are noted, they will be investigated and appropriate action will be taken.
Management's Action Plan to be implemented:	Professional team on both NCOP and Granite projects will be held accountable to the poor workmanship. They will be requested to rectify.
Responsible Official:	The issue with Swans garage will also be investigated. The picture indicates something wrong with the waterproofing or the roof is leaking.
Planned Implementation Date:	The poor workmanship will be assessed and rectified.
Internal Auditor Conclusion	<p>We note the management comments and will plan a follow up audit to determine whether the workmanship was improved by the contractors. It will also include a follow up on the consequence management process have been implemented.</p> <p>We are concerned though that the cost variance between what DPWI has paid vs the industry norm in lieu of refurbishment costs have not been addressed by management</p>

Finding 19: Lack of planning & fruitless and wasteful expenditure - 90 Plein Street 6th Floor refurbishment

Finding Rating	Critical
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Criteria

The criteria are presented in terms of the PFMA and the Fruitless and Wasteful Expenditure Framework issued by National Treasury (National Treasury, 2019b).

Control/Evidence required
<p>Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised” (South Africa, 1999b). Section 38(1)(c)(ii) of the PFMA require accounting officers to, amongst others, take effective and appropriate steps to prevent fruitless and wasteful expenditure.</p> <p>The National Treasury Fruitless and Wasteful Expenditure Framework states the following:</p> <p>In terms of Discovery:</p> <ol style="list-style-type: none"> 4. An employee of a department, constitutional institution or public entity who becomes aware or suspects the occurrence of fruitless and wasteful expenditure must immediately, in writing, report such expenditure to the accounting officer in terms of Treasury Regulations 9.1.2 and (in a case of public entities) to the accounting authority in terms of the reporting policy of that public entity. <p>In terms of Evaluation</p> <ol style="list-style-type: none"> 5. Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources. 7. Fruitless and wasteful expenditure must fulfil the following conditions in the definition - <ol style="list-style-type: none"> (a) expenditure must be made in vain; and (b) such expenditure would have been avoided had reasonable care been exercised.

Finding

- ▶ From the information from the project files, the following timeline could be established. The project achieved practical completion on 18 August 2019.
- ▶ During a site visit on 23 September 2020, it was noted that the offices are still unoccupied.
- ▶ The offices, which comprises approximately 2 200m², also does not have any furniture. Some furniture (two desks) was on display, apparently as samples.
- ▶ One would have expected that the furniture would have been delivered already, especially when considering that the planned completion date for the project was 21 January 2019.
- ▶ The fact that this space has been vacant and unfurnished for 13 months indicates that the refurbished space was not utilised, thus the expenditure was made in vain and could have been avoided had reasonable care been exercised.
- ▶ The expenditure complies with the PFMA definition for fruitless and wasteful expenditure for the 2019/20 and possibly the 2020/21 financial years.

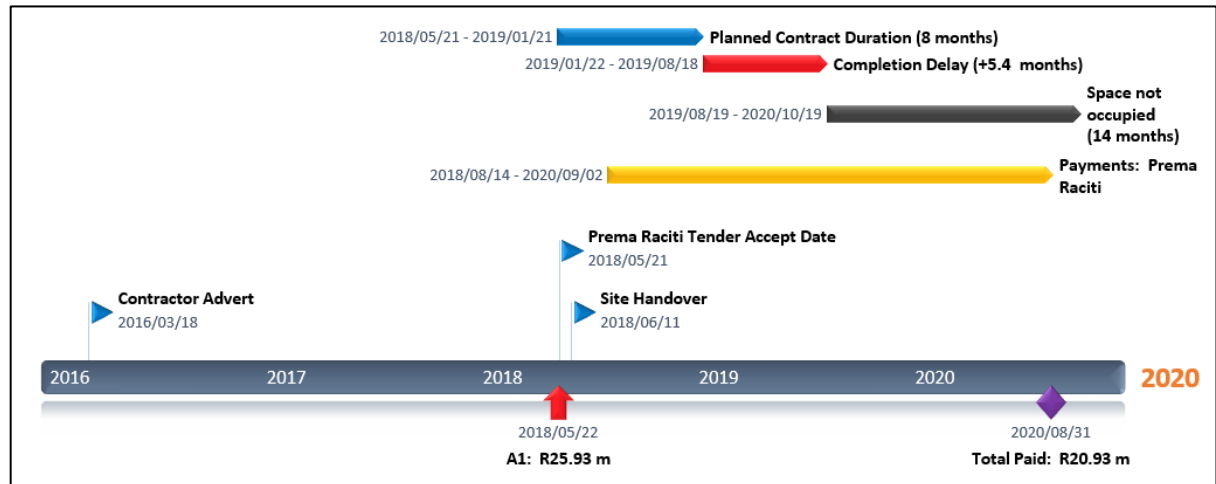


Figure 59: Fruitless and Wasteful Expenditure: 90 Plein Street - 6th Floor Refurbishment

Root cause

- ▶ Lack of planning.
- ▶ Lack of an effective asset management plan which will ensure office space is adequately occupied.

Effect

- ▶ Fruitless and wasteful expenditure in terms of the PFMA.
- ▶ Wasted and unoccupied office space.

Recommendation

- ▶ As per the Fruitless and Wasteful Expenditure Framework, upon detection of alleged fruitless and wasteful expenditure, the Loss Control Function or another relevant Function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.
- ▶ An investigation should be launched in regard to the reasons for existing furniture not being used, as the future occupants of the building already had to have furniture to perform their duties. Suitable action should be taken against the responsible parties in terms of Treasury Regulations 9.1 and 12.
- ▶ An investigation should be launched in regard to the reasons for the delay in occupation of the building, and suitable action should be taken against the responsible parties in terms of Treasury Regulations 9.1 and 12.
- ▶ Better planning and project management should be implemented by Parliament's project management teams in terms of the project management implementation policies and strategies to ensure that there is adequate congruency between refurbishments and actual use of the refurbished space.

Management comment and action plan

Management Comment:	Management notes this finding.
Management's Action Plan to be implemented:	The finding should be addressed by Parliament. Once Practical Completion is achieved, the User Client should take possession of the facility. Both Parliament and NDPWI signed off on the project.
Responsible Official:	Parliament
Planned Implementation Date:	Unknown
Internal Audit Conclusion	We note management comments and that Parliament should address such. However, NDPWI project manager should be able to address reason for delays.

Finding 20: Ventilation system design and fire protection in the Precinct needs to be reviewed by a fire consultant

Finding Rating	Significant
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Criteria

The criteria are presented in terms of SANS 10400-T:2011.

Control/Evidence required	
4.43	Air-conditioning systems and artificial ventilation systems
4.43.1	An air-conditioning system or artificial ventilation system in a building shall be so designed as to prevent the distribution of products of combustion in the event of a fire in such building (South African Bureau of Standards, 2011).

Finding

- ▶ These findings pertain to a site visit which took place at 90 Plein Street (6th Floor), where the entire floor was refurbished by NDPWI.
- ▶ In general, there appears to be no fire stops/ dampers between the floor and the service shafts.



Figure 60: Fire Stops

- ▶ Although the building is protected with sprinklers, it did not appear that the ventilation shafts dampers are in working condition.
- ▶ The project manager could not confirm if the installation was signed off by Fire Department.

Root cause

- ▶ Inadequate understanding of project manager to understand implications of poor installation of fire protection systems.
- ▶ Legacy system in building.
- ▶ Changes in legislation since building was constructed / best practice.

Effect

- ▶ The effect of this is that a fire could spread through the service shafts between floors, like what happened at 9/11.
- ▶ Injuries and fatalities during a fire.

Recommendation

- ▶ Good practice would be to have fire stops between floors.
- ▶ A review by a fire consultant is required to ensure compliance to latest regulations and best practice.
- ▶ This treatment plan should not be limited to 90 Plein Street, but also to all the other buildings in the Precinct.

Management comment and action plan

Management Comment:	Management accepts this finding, the new PM will make contact with the Engineers to rectify.
Management's Action Plan to be implemented:	The Professional Team appointed on the project to account for the non-compliance. Contractor to rectify. The other buildings will be inspected by the FM Service Provider for recommendations. The buildings where there are ongoing projects, the professional team will be requested to inspect if the scope does not address this area.
Responsible Official:	D. Projects Cape Town.
Planned Implementation Date:	November 2020.
Internal Audit Conclusion	We note that management accepts the finding. Consequence management should be considered in terms of the project manager not identifying this timely. Penalties related to the contractor and FM must be considered in this regard, once the other buildings have been inspected and the extent of the matter was quantified

Finding 21: Non-compliance to fire regulations

Finding Rating	Significant
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Criteria

The criteria are presented in terms of SANS 10400-T:2011.

Control/Evidence required	
4.16.9	Every locking device fitted to an access door or escape door in any escape route shall be of a type approved by the local authority, provided that in any building where an electronic locking device is required for security purposes, such locking device shall be of a type which unlocks automatically when any of the fire detection equipment or electrical fire protection equipment of the building is activated or when there is no power to the locking device.
4.37.3	Portable fire extinguishers installed in a building shall comply with the requirements in SANS 1910, and shall be installed, maintained and serviced by competent persons in accordance with SANS 1475-1 and SANS 10105-1 (South African Bureau of Standards, 2011).

Finding

These findings pertain to a site visit which took place at 90 Plein Street (6th Floor), where the entire floor was refurbished. This issue was only encountered during our site visit to 90 Plein Street. Fire extinguishers were checked at during other site visits and were up to date with their services. There floor is not occupied:

- ▶ The fire equipment servicing is out of date - the service should have been conducted in June 2020.



Figure 61: Fire equipment service out of date

- ▶ The fire exit doors are unsafe as there are no signs to indicate how to open the door fitted with a magnetic lock.
- ▶ The remainder of the emergency escape push bar lock also contributes to the confusion as it was broken at the time of the inspection. This needs to be repaired.



Figure 62: Emergency escape door push bar

Root cause

- ▶ Poor project management of the NDPWI during finalisation stages of the project.
- ▶ Project was not closed out appropriately. Adequate close-out procedures related to the project would have ensured that the fire door would have been repaired, as practical completion was on 2019/08/18.
- ▶ Inadequate fire system maintenance and fire system maintenance plans / schedules.
- ▶ Poor facilities and oversight management by the NDPWI and FM service provider.

Effect

- ▶ Portable fire extinguishers installed in a building do not comply with the requirements in SANS 1910 and will further lead to non-compliance to the OHSA.
- ▶ Claims against the State by injured officials should a fire result in injuries and fatalities
- ▶ Injuries and fatalities as a result of fire exit doors not appropriately maintained.
- ▶ Further cost to be incurred - which could be deemed fruitless and wasteful expenditures, due to damages on the door which has to be repaired

Recommendation

- ▶ NDPWI must ensure that the door is repaired.
- ▶ NDPWI must ensure that the fire equipment is serviced as per legal requirements.
- ▶ NDPWI should penalise the contractor responsible for the maintenance of the fire equipment for lack of compliance.
- ▶ NDPWI must ensure that appropriate facilities project / site visit schedules are included in the project management processes of project managers. This will ensure that project managers visit sites regularly and actively
- ▶ NDPWI needs to train staff on the OHS requirements.

Management comment and action plan

Management Comment:	Management notes the finding.
Management's Action Plan to be implemented:	At the initial engagement, only 1 fire extinguisher in the entire precinct was missed when the maintenance work was carried out. This has now been rectified.
Responsible Official:	Head of Projects.
Planned Implementation Date:	October 2020.
Internal Audit Conclusion	Management has not provided a detailed action plan related to the remainder of the findings and addressed only the safety equipment not serviced in time. The exit doors need to be address as a matter of urgency.

Finding 22: Fruitless and wasteful expenditure - Acacia Park bar stools

Finding Rating	Medium
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Criteria

The criteria are presented in terms of the PFMA and the Fruitless and Wasteful Expenditure Framework issued by National Treasury (National Treasury, 2019b).

Control/Evidence required
<p>Section 1 of the PFMA defines fruitless and wasteful expenditure as “expenditure which was made in vain and would have been avoided had reasonable care been exercised” (South Africa, 1999b). Section 38(1)(c)(ii) of the PFMA require accounting officers to, amongst others, take effective and appropriate steps to prevent fruitless and wasteful expenditure.</p> <p>The National Treasury Fruitless and Wasteful Expenditure Framework states the following:</p> <p>In terms of Discovery:</p> <ol style="list-style-type: none"> 4. An employee of a department, constitutional institution or public entity who becomes aware or suspects the occurrence of fruitless and wasteful expenditure must immediately, in writing, report such expenditure to the accounting officer in terms of Treasury Regulations 9.1.2 and (in a case of public entities) to the accounting authority in terms of the reporting policy of that public entity. <p>In terms of Evaluation</p> <ol style="list-style-type: none"> 5. Fruitless and wasteful expenditure is incurred when the resulting expenditure is made in vain and no value for money was derived from the expenditure or the use of other resources. 7. Fruitless and wasteful expenditure must fulfil the following conditions in the definition - <ol style="list-style-type: none"> (a) expenditure must be made in vain; and (b) such expenditure would have been avoided had reasonable care been exercised.

Finding

- ▶ During a site visit which took place on 22 September, it was noted that the bar stools which were procured as part of the renovation project, were unsuitable for use at the kitchen counter as they are too high. Kitchen counter stools should have been procured. It was found in all the cases where counter stools were appropriate for use.



Figure 63: Fruitless and Wasteful Expenditure: Counter Stools

Root cause

- ▶ Inadequate project management to ensure fit for purpose assets are procured.
- ▶ Lack of proper specifications.

Effect

- ▶ Fruitless and wasteful expenditure in terms of the PFMA.

Recommendation

- ▶ As per the Fruitless and Wasteful Expenditure Framework, upon detection of alleged fruitless and wasteful expenditure, the Loss Control Function or another relevant Function must conduct an assessment to confirm whether expenditure incurred meets the definition of fruitless and wasteful expenditure.
- ▶ Suitable action should be taken against the responsible parties in terms of Treasury Regulations 9.1 and 12.

Management comment and action plan

Management Comment:	Management notes the finding.
Management's Action Plan to be implemented:	The ordering of the furniture was done based on the standard approach to each unit. This items will be checked and rectified.
Responsible Official:	Head of Prestige.
Planned Implementation Date:	November 2020.
Internal Audit Conclusion	We noted management's comments. The expense incurred has to be classified as fruitless expenditure and the National Treasury Framework needs to be implemented



SECTION VI: COMBINED ASSURANCE AND GENERAL FINDINGS

SECTION VI: COMBINED ASSURANCE AND GENERAL FINDINGS

STRATEGIC FINDINGS

Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes

Finding Rating	Critical
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Context

- ▶ This finding pertains to the following projects:
 - > Office Accommodation (046547), managed by Arcus Facility Management Services (AFMS);
 - > Residential Accommodation (046548), managed by Broll.
 - > Residences of Sessional Officials Refurbishment (45661).
 - > Marks Building external renovations (050720).

Criteria

The criteria are presented in terms of the National Treasury Instruction Note on enhancing compliance monitoring and improving transparency and accountability in supply chain management (National Treasury, 2011) as well as the National Treasury Instruction Note No 3 of 2016-2017 on prevention and combatting abuse in the supply chain system (National Treasury, 2016a).

Control/Evidence required
<p>From National Treasury Instruction Note on enhancing compliance monitoring and improving transparency and accountability in supply chain management:</p> <p>3.9.3 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.</p> <p>From the National Treasury Instruction Note No 3 of 2016-2017 on prevention and combatting abuse in the supply chain system</p> <p>9. EXPANSIONS OR VARIATION OF ORDERS</p> <p>9.1 The Accounting Officer/Accounting Authority must ensure that contracts are not varied by more than 20% or R 20 million (including VAT) for construction related goods, works and or services and 15% or R15 million (including VAT) for all other goods and or services of the original contract value.</p> <p>9.2 Any deviation in excess of the prescribed thresholds will only be allowed in exceptional cases subject to prior written approval from the relevant treasury.</p>

Finding

- ▶ As part of the audit, the use of variation orders and authorisations was reviewed. The table below contains a summary of authorisations which:
 - > Were made after the first authorisation, i.e. were not part of the original approval.
 - > Included only requests for increases in funds, no decreases. This was done to see only the extent of additions, and not the reductions which may be made during or after project completion.
- ▶ When reviewing all the authorisations for the 12 projects, a total of 167 could be identified. Of these, only 4 authorisations (R13.69 million) related to variation orders were found, in contrast with 40 authorisations (R326.09 million) which were made for P&Gs, Profit, Provisional Sums and Unforeseen. These funds were added to the project as additional scope.
- ▶ For the FM contracts, the authorisations included additional funding for (i) Profit, (ii) Provisional sums and (iii) Unforeseen works to make up for a maintenance backlog, as well as additional profit for the contractor. This constitutes a scope change and indicates the circumvention of the internal procurement process for this additional scope.
- ▶ The table below presents the totals authorisations for each of these cost groups. It should be noted that the amounts indicated are totals over the entire project, and does not represent individual authorisations.

Project	Initial Authorisation (R million)	CI's/VO		Preliminary & General		Profit		Provisional sum		Unforeseen		Adjustments	
		Total (R million)	No of Auth.	Total (R million)	No of Auth.	Total (R million)	No of Auth.	Total (R million)	No of Auth.	Total (R million)	No of Auth.	Total (R million)	No of Auth.
FM: Official Office Accommodation	R357.49					R8.09	2	R99.75	2	R33.51	2		
FM: Residential Accommodation	R312.16					R 12.05	2	R120.50	2	R5.21	1		
NCOP Building Refurbishment	R103.20	R 3.24	1	R3.24	3								
Tuynhuys / Business Hub	R57.80			R3.58	2	R0.04	2						
Marks Building external renovations	R22.27			R6.31	2	R0.37	2	R13.22	4				
Residences of Sessional Officials Refurbishment	R77.46	R 8.76	1	R 16.17	1					R0.12	1	R43.18	3
Access Control Parliamentary Villages	R36.65	R 0.58	1	R1.12	3	R0.02	2	R0.72	2	R1.69	1		
Swans Garage Redesign	R13.77	R 1.11	1	R0.35	2	R0.03	2						
Grand Total	R980.81	R 13.69	4	R 30.77	13	R 20.59	12	R234.19	10	R40.54	5	R51.09	

Figure 64: Authorisation totals

- ▶ The table below indicates when these authorisations were made for the FM: Official Office Accommodation contract. The contract was awarded to AFMS. A total of R107.84 million was added as provisional sums and profit after the first authorisation.
 - > The authorisation of the R81.25 million is considered irregular as it is above the R20 million threshold as prescribed by the 2011 and 2016/17 National Treasury Instruction Notes on enhancing compliance monitoring and improving transparency and accountability in supply chain management, and combatting and preventing the abuse in the Supply Chain Management System.
 - > Since the profit is associated with the above authorisations, the profit also constitutes irregular expenditure of R6.59 million.
 - > The possible total irregular expenditure is therefore R87.84 million for this contract.

	Date	Total	Contract	Provisional sum	Profit	Unforeseen	Re-measure	CPAP	VAT Recalculation
Authorisation 1	2014/09/16	R 357.49	R 357.49						
Authorisation 2	2014/12/22	R 414.33						R 56.84	
Authorisation 3	2015/03/06	R 456.04		R 18.50	R 1.50		R 15.99	R 5.72	
Authorisation 4	2016/05/30	R 558.32		R 81.25	R 6.59			R 14.44	
Authorisation 5	2016/10/12	R 561.02					R 2.70		
Authorisation 6	2017/07/19	R 561.02				R 33.26		-R 33.26	
Authorisation 7	2017/09/28	R 561.02				R 0.25		-R 0.25	
Authorisation 8	2018/04/11	R 563.14						R 0.28	R 1.84
Authorisation 9	2019/01/21	R 529.63				-R 33.51			
Authorisation 10	2019/02/13	R 519.45						-R 10.17	
Total				R 99.75	R 8.09				

Figure 65: Authorisation History: Official Office Accommodation contract

- ▶ The table below indicates when these authorisations were made for the FM: Residential Accommodation contract. The contract was awarded to Broll. A total of R132.55 million was added as provisional sums and profit after the first authorisation.

- > The authorisation of the R109.44 million is considered irregular as it is above the R20 million threshold as prescribed by the 2011 and 2016/17 National Treasury Instruction Note on enhancing compliance monitoring and improving transparency and accountability in supply chain management, and combatting and preventing the abuse in the supply chain management system
- > Since the profit is associated with the above authorisations, the profit also constitutes irregular expenditure of R10.94 million.
- > The possible total irregular expenditure is therefore R120.38 million for this contract.

	Date	Total	Contract	Provisional sum	Profit	Unforeseen	Re-measure	CPAP	VAT Recalculation
Authorisation 1	2014/09/16	R 312.16	R 312.16						
Authorisation 2	2014/12/22	R 379.27		R 11.06	R 1.11		R 2.92	R 52.03	
Authorisation 3	2015/05/06	R 540.78		R 109.44	R 10.94		R 16.63	R 24.50	
Authorisation 4	2015/10/19	R 541.03					R 0.21	R 0.04	
Authorisation 5	2017/05/29	R 541.52				R 5.21		-R 4.73	
Authorisation 6	2018/04/11	R 543.37							R 1.85
Authorisation 7	2019/01/21	R 538.15				-R 5.21			
Authorisation 8	2019/02/06	R 506.88						-R 31.27	
Total				R 120.50	R 12.05				

Figure 66: Authorisation History: Residential Accommodation contract

- The table below indicates when these authorisations were made for the Residences of Sessional Officials Refurbishment contract. A total of R51.09 million was added as “Adjustments” after the first authorisation.
- > The authorisation of the R43.18 million is considered irregular as it is above the R20 million threshold as prescribed by the 2011 and 2016/17 National Treasury Instruction Note on enhancing compliance monitoring and improving transparency and accountability in supply chain management, and combatting and preventing the abuse in the Supply Chain Management System.
 - > The possible total irregular expenditure is therefore R43.18 million for this contract.

	Date	Total	Contract	Unforeseen	Re-measure	P&G	Adjustment	CI's/VO	CPAP	Default	Fund Sus	Miscellaneous
Authorisation 1	2009/12/14	R 77.46	R 68.44	R 3.42					R 5.60			
Authorisation 2	2010/10/22	R 84.50		-R 3.42			R 7.92		R 2.02			R 0.53
Authorisation 3	2013/06/04	R 139.56					R 43.18		R 11.89			
Authorisation 4	2014/01/24	R 139.56			R 26.69	R 16.17	-R 51.09	R 8.76				-R 0.53
Authorisation 5	2014/03/21	R 139.56			R 12.71				-R 12.71			
Authorisation 6	2015/08/21	R 142.28	R 54.79							-R 52.07		
Authorisation 7	2015/08/21	R 148.68							R 6.41			
Authorisation 8	2015/08/21	R 139.56							R-		-R 9.12	
Authorisation 9	2016/03/23	R 139.56		R 0.12	R 1.07				-R 1.19			
Authorisation 10	2016/05/19	R 140.01		-R 0.12	R 1.81				-R 1.24			
Total			R123.22	R-	R 42.28	R 16.17	R-	R 8.76	R 10.77	-R 52.07	-R 9.12	R-

Figure 67: Authorisation History: Residences of Sessional Officials Refurbishment

Root cause

- ▶ Non-adherence to the variation process as prescribed by the National Treasury Instruction notes referred to above.
- ▶ Lack of sufficient scope and specifications definition during procurement phase by project manager and then at first authorisation.
- ▶ Lack of appropriate asset management, including condition assessments to allow adequate costing related to maintenance requirements and relevant backlogs.
- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Inadequate controls to ensure compliance with National Treasury Instruction notes.
- ▶ Inadequate oversight of project implementation and expenditure due to insufficient capacity (Human resources, systems and budget).

Effects

- ▶ Possible total irregular expenditure of R251.40 million.
 - > Office Accommodation contract: R87.84 million.
 - > Residential Accommodation contract R120.38 million.
 - > Residences of Sessional Officials Refurbishment contract R43.18 million.
- ▶ Possible fruitless expenditure incurred within the authorisations as indicated in various other findings.
- ▶ Projects might not be deliverable, affordable, value for money or fit for purpose.
- ▶ Ageing National Key-point infrastructure, including heritage requirements not met as a result of poor planning and project implementation.
- ▶ Continuous flouting of regulatory requirements due to inadequate policy development and implementation.

Recommendation

- ▶ The NPWI must ensure that the above-mentioned expenditure is treated in terms of the National Treasury Irregular Expenditure Framework (IEF) (2019), specifically that the expenditure must be:
 - > Assessed, confirmed and investigated (Chapter 4 of the IEF);
 - > Recovered, condoned or removed (Chapter 5 of the IEF);
 - > Reported (Chapter 6 of the IEF); and
 - > Recorded (Chapter 7 of the IEF).
- ▶ Furthermore, the NDPWI must ensure that adequate controls are developed and implemented to ensure that any additional budget/scope items are adequately assessed, considered and approved within the thresholds allowed by the National Treasury Instruction Note (31 May 2011) and Instruction note 3 of 2016/17.
- ▶ Adequate controls must also be developed and implemented to monitor project expenditure on at least a monthly basis against the approved budget. This will ensure that there is adequate oversight of any expenditure that may prove to be irregular.

Management comment and action plan

Management Comment:	Management notes and accepts this finding.
Management's Action Plan to be implemented:	<p>The Department already took a decision regarding the push-through costs and the backlog maintenance projects.</p> <p>The process followed has been identified but no further action was implemented.</p> <p>Recommendations will be adopted.</p>
Responsible Official:	DDG:CPM, CD: Prestige
Planned Implementation Date:	-
Internal Audit Conclusion	We accept management comments and that the recommendations related to application of the NT Irregular Expenditure Framework will be applied. This matter has to be reported to the Office of the CFO to track irregular expenditure identified for disclosure purposes.

Finding 24: Inadequate Policies and Procedures

Finding Rating	Critical
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Criteria

Control/Evidence required
<p>The following policies and procedures were presented for review:</p> <ol style="list-style-type: none"> 1. SCM - Acquisitions: Property and FM 2. Construction - Project Management and Engineering Services 3. Supply Chain Management Policy 4. Technical Services - Quantity Surveying Services 5. Technical Services - Architectural Services 6. Town Planning Services 7. Prestige Events Management 8. Prestige Portfolio 9. The Appointment of Consultants from a Roster 10. Risk Management Policy

Finding

► The following issues were noted with the policies provided:

#	Policy	Comments
1	SCM - Acquisitions: Property and FM SOP	<ol style="list-style-type: none"> a. Authorised on 14 February 2019 b. Last reviewed more than 12 months ago (20/12/2018)
2	Construction - Project Management and Engineering Services SOP	<ol style="list-style-type: none"> a. Confirmed not authorised b. Last reviewed more than 12 months ago (13/11/2018) c. There is no mandatory requirement for Status Quo Reports; where they are to be documented when required. There is no set requirement as to the frequency.
3	Supply Chain Management Policy	<ol style="list-style-type: none"> a. Authorised on 19 June 2017 b. There is no evidence of when it was last reviewed and updated. The policy states that it is to be reviewed annually
4	Technical Services - Quantity Surveying Services SOP	<ol style="list-style-type: none"> a. Authorised on 29 January 2019 b. Last reviewed more than 12 months ago (24/01/2019) c. The policy does not specify any requirement for monthly/quarterly status update reports to management
5	Technical Services - Architectural Services SOP	<ol style="list-style-type: none"> a. Authorised on 18 December 2018 b. Last reviewed more than 12 months ago (26/11/2018) c. The policy does not specify any requirement for monthly/quarterly status update reports to management
6	Town Planning Services SOP	<ol style="list-style-type: none"> a. Authorised on 8 February 2019 b. Last reviewed more than 12 months ago (18/01/2019)

#	Policy	Comments
7	Prestige Events Management SOP	a. Authorised on 26 March 2020 b. Last reviewed on 24 October 2019 (Due to be reviewed)
8	Prestige Portfolio SOP	a. Authorised on 03 April 2020 b. Last reviewed on 29 October 2019 (Due to be reviewed)
9	The Appointment of Consultants from a Roster Policy	a. There is no evidence of authorisation b. Last reviewed more than 12 months ago (07/05/2001)
10	Risk Management Policy	a. Last reviewed on 15 April 2019 and is to be reviewed every 3 years b. There is no evidence of the latest policy.

Figure 68: Standard Operating Procedures reviewed

Root cause

- ▶ Lack of an organisational policy framework governing and guiding the development and maintenance of policies and procedures.
- ▶ Management has not prioritised policy reviews to identify any process and control gaps as well as ensuring that the current policies are synchronised with the current procedures.

Effect

- ▶ Policies and procedures may not be in line with organisational processes and procedures, and legislative requirements;
- ▶ Lack of guidance to new and existing employees on processes and procedures to follow;
- ▶ Inconsistent application of standard processes and procedures; and
- ▶ Lack of accountability and responsibility in instances of non-compliance.

Recommendation

Management should ensure that:

- ▶ Standard Operating Procedures are sufficiently detailed to provide a clear understanding of the project management processes;
- ▶ All policies and procedures are aligned to the relevant legislative requirements;
- ▶ An organisation policy framework (policy of policies) is developed to provide guidance on the development and implementation of policy and procedure documents. This framework should include at a minimum guidance on following areas:
 - > Establishment of the frequency of review, i.e. every 12, 24, 36 months, or as changes to the underlying process and legislation require; and
 - > Maintenance of policies and procedures, i.e. a Policy Register detailing the effective date of the policy, when the date the next review is required and whether the policy and / or procedure has been formally approved.

Management comment and action plan

Management Comment:	
Management's Action Plan to be implemented:	
Responsible Official:	Deputy Director General Supply Chain Management Acquisition of Property and FM - Nyeleti Makhubele, Raymond Naidoo Divisional Heads - Batho Mokhothu Chief Director: Prestige - Mzwandile Sazona
Planned Implementation Date:	
Internal Audit Comments:	No management comments have been provided.

Finding 25: No gateway review process in place

Finding Rating	Critical
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Criteria

The National Immovable Asset Management Maintenance Standard (NIAMMS) indicates that maintenance delivery involves the organisation and mobilisation of people, processes and other resources to ensure that maintenance regimes and plans are implemented in such a manner that assets remain safe for use and meet performance requirements in the most cost effective and efficient manner (Department of Public Works, 2017).

From the SIPDM: Gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based (National Treasury, 2015).

Control/Evidence required
<p>From the National Immovable Asset Management Maintenance Standards:</p> <p>3.1 Functional scope</p> <p style="padding-left: 40px;">The acquisition of immovable assets, inclusive of supply chain management, project management and construction management activities are regulated through various Treasury-specific supply chain management regulations. This National Immovable Asset Maintenance Management Standard complements the Infrastructure Delivery Management Standard by specifying asset care requirements for immovable assets through the lifecycle, and by establishing standards for organisational arrangements, competences and requirements for professionals involved with asset lifecycle activities</p> <p>5. Maintenance of the value vested in immovable asset portfolios</p> <p style="padding-left: 40px;">Entities must sustain the required operating or productive capacity (ability to render services) through a combination of maintenance that ensures that assets reach their intended useful lives and capital renewal that entails expenditure on an existing asset to return the service potential, economic benefit or service life of the asset to that which it had originally. Renewals enable the entity to continue to provide asset-based services beyond the original useful lives of individual assets, and supports long term business continuity and a positive asset sustainability ratio.</p> <p>5.1 Budgeting for maintenance of immovable asset portfolios.</p> <p>5.1.1 Each entity should make sufficient budget provision for the maintenance of its immovable assets as per its approved asset management plans throughout the life of assets, and shall furthermore undertake all reasonable effort to ensure full implementation of maintenance activities on an annual basis.</p> <p>5.1.2 Further to 5.1.1 above, budgeting for asset maintenance shall be done on the basis of the demonstrated estimated current costs involved in achieving stated maintenance objectives. Budgeting shall not be based on historic budget provisions or some normative allocated percentage of the total operating budget.</p> <p>5.1.3 In the event that insufficient budget is available for maintenance, or that such budget is not fully spent in a financial period, the entity shall record the amount of deferred maintenance in its annual financial statements, and shall furthermore:</p> <p style="padding-left: 40px;">a. indicate the impact of insufficient spending on maintenance on the useful life expectations of assets; and</p>

Control/Evidence required

- b. indicate whether the lack of spending on asset maintenance has affected business operations, commitments to customers and/or legislative requirements regarding the availability of asset-based services, and operating income projections.

6. MAINTENANCE DELIVERY

Maintenance delivery involves the organisation and mobilisation of people, processes and other resources (e.g. vehicles, tools, spare parts and consumables) to ensure that maintenance regimes and plans are implemented in such a manner that assets remain safe for use and meet performance requirements in the most cost effective and efficient manner. To this end:

6.1 Design, implementation and operation of a maintenance management system

6.1.1 Each entity shall design, implement and operate a maintenance management system suitable to the scale, complexity and criticality of the asset portfolio(s) under its control, which system shall comply with the requirements of the Standard for an Infrastructure Delivery Management System.

6.1.2 The maintenance management system shall enable:

- a. allocation of roles and responsibilities, inclusive of a system of delegation;
- b. development of standard work packages, inclusive of labour, material and equipment requirements for planned maintenance work;
- c. scheduling and tracking of maintenance activities, personnel and logistical support;
- d. management of inventories (capital loan-, rotating and replacement assets such as transformers, generators and pumps; and consumables);
- e. tracking of expenditure against budget, and costing of maintenance activities and outputs;
- f. management of supplier contracts, warranties and supplier activities related to maintenance work;
- g. safekeeping of asset schemata (e.g. building plans and as built drawings), operating and maintenance manuals, and other documents;
- h. maintenance staff to have access to documents described in (g) above to assist in planning for maintenance, and in undertaking maintenance activities; and
- i. measurement against stated asset care objectives and targets.

From the SIPDM:

4.1.13.1.1 All major capital projects having an estimated capital expenditure equal to or above the threshold established in Table 2 shall have a gateway review of the end-of-stage 4 deliverable, prior to the acceptance of such deliverable.

Table 2, for National Departments indicates a threshold of R100 million.

The focus of such a review shall in the first instance be on the quality of the documentation, and thereafter on:

- a) deliverability (the extent to which a project is deemed likely to deliver the expected benefits within the declared cost, time and performance envelope);
- b) affordability (the extent to which the level of expenditure and financial risk involved in a project can be taken up on, given the organisation's overall financial position, both singly and in the light of its other current and projected commitments); and
- c) value for money.

Control/Evidence required
<p>The SIPDM requires that all major capital projects having an estimated capital expenditure greater than or equal to the prescribed value be subjected to a gateway review of the Stage 4 deliverable (concept report or feasibility report) prior to acceptance of this deliverable.</p>

Finding

- ▶ The NDPWI has not implemented the Gateway process as designed and required by National Treasury's SIPDM.
- ▶ The two asset management projects were therefore not part of a formal gateway review process.
- ▶ Only one of the renovations and upgrade projects (Refurbishment of NCOP Building) which form part of this audit has a budget of R103.2 million.
- ▶ No gateway process is in place for the project.

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.
- ▶ Lack of appropriately skilled resources and gaps in the organogram.

Effect

- ▶ Projects might not be deliverable, affordable, value for money or fit for purpose.
- ▶ Possible fruitless and wasteful expenditure as key reviews of the project are not conducted through a gateway process.

Recommendation

- ▶ Management must implement NIAMMS and the SIPDM (FIPDM) in full.
- ▶ Management should consider implementing a gateway process for projects lower than R100 million, as issues related to not having a gateway process was noted on projects of smaller value.
- ▶ That suitable gateway panel members be employed / engaged to ensure that the gateway process does not become a compliance exercise.

Management comment and action plan

Management Comment:	Management accepts this finding, although NIAMMS and SIPDM are in place they are not implemented in full.
Management's Action Plan to be implemented:	Implementation of IDMS is underway by HO. Regions will be directed by Head Office.
Responsible Official:	DDG: CM and DDG: PMO.
Planned Implementation Date:	2020/2021 Financial year.
Internal Audit Conclusion	Management comments are noted, however no indication of consideration of capacity required for implementation of NIAMMS and FIPDM/SIPDM was included. Implementation of gateway processes will require systems, staff, skills and funding.

Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy

Finding Rating	Significant
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Context

Our review included an assessment of how well the combined assurance model works to enable the NDPWI to be AGSA audit-ready and to address actual and potential control deficiencies before the AGSA commences their audit.

Our review therefore considered the combined assurance model, including the governance around it and the capacity within the Cape Town region with regards to the internal audit function. We further considered the strategic nature of the services rendered by NDPWI in Cape Town with regards to National Key Points and in relation to MISS and the role of independent assurance that internal audit needs to provide in terms of NIAMMS.

We did take into consideration that the NDPWI does outsource / insource / co-source specialists annually with regards to implementation of the internal audit plans as approved by the Audit and Risk Committee.

This section specifically deals with the Combined Assurance Plan (CAP) and its implementation. Although we do take cognisance of the maturity level of the CAP, we are of the opinion that this finding will add value in enhancing the current draft plan vs the ERM Policy and its application.

Criteria

Control/Evidence required
<p>Paragraph 2.1 of the draft Integrated Assurance Framework and Combined Assurance Model states the following:</p> <p><i>“The Combined Assurance Model identifies, and assigns accountability and responsibilities to three defence levels, with the first level being Management; second level being Internal Assurance Providers and the third level being External Assurance providers. External/ Independent Assurance providers consist of Internal Audit, External Audit, Public Accounts Committee National Treasury, Audit Committee and Parliament Portfolio Committees.”</i></p>

Finding

During our review and comparison of the Integrated Assurance Framework and Combined Assurance Model and Enterprise-wide Risk Management policy we noted the following:

- ▶ The Risk Management Policy does not list Consultants as assurance providers on any of the defence levels despite their considerable role in the management of project implementation. Considering the heavy reliance on consultants for project management and implementation, and the reporting requirements, it would be expected that Consultants would be included in at least the first line of defense.
- ▶ Framework deficiencies noted are as listed below:
 - > The Framework has not been reviewed and approved and is still in draft format;
 - > There is no version control to ascertain how many times the Framework has been updated and/ reviewed and approved;
 - > Proper spelling and grammar checks were not completed; and
 - > The Framework is in an unprotected MS Word document which can easily be amended or manipulated.

- > The Minister as Executive Authority is deemed first level of assurance in the Risk Management Framework which should not be the case - as the Executive Authority is not part of management.
 - > The Combined Assurance Framework includes the Companies Act, which is not applicable. Mention is also made of the King Code of Good Governance - which was replaced with King IV in 2017. Compliance hereto is not compulsory.
 - > The professional bodies include COSO, however the framework was not updated with the updated COSO framework on Risk Management which incorporates risk with performance management - which is critical for the property and infrastructure asset portfolio that NDPWI manages.
-
- ▶ There are no reporting requirements, structures or processes set out in the Model as a guideline for all users.
 - ▶ A comparison of the Enterprise Risk Management Strategy and the Combined Assurance Plan was conducted and we noted that the key role players in combined assurance are mismatched and inconsistent. The disparity is as indicated below:

Level of Assurance	Combined Assurance Plan	Risk Management Framework
1	<p>Management act as the first line of defence, by establishing and implementing departmental strategy and objectives, identifying risks facing the Department, and implementing adequate controls to manage risks.</p>	<p>First level of assurance:</p> <p>Executive Authority, Accounting Officer, internal oversight Committees such as EXCO, Risk Management Committee, Accountability Management Committee and Ethics Committee, and Senior Management.</p>
2	<p>The Executive Management, Accounting Officer, and the Executive Authority provide oversight through the following Committees:</p> <ul style="list-style-type: none"> ▶ Minister, Members of Executive Councils, Heads of Entities (MINMEC) ▶ Director General, Provincial DPW Heads of Departments (Technical MINMEC) ▶ Committee Composed of the Minister, Deputy Minister and EXCO members (MINTOP) ▶ Executive Committee (EXCO) ▶ Risk Management Committee ▶ Branch Management Committee (BRANCHCO) ▶ Ethics Committee ▶ Accountability Management Committee ▶ Budget Management Committee ▶ Infrastructure Budget Committee ▶ Information, Communication and Technology (ICT) Steering Committee ▶ Immovable Asset Investment Committee ▶ Human Resource Management Committee 	<p>Audit Committee and Portfolio Committee</p>
3	<ul style="list-style-type: none"> ▶ Audit Committee; ▶ National Treasury Public Accountants Committee; ▶ Parliamentary Portfolio Committees; ▶ Auditor General; and ▶ Internal Audit 	<p>Internal Auditors, External Auditors and Regulators</p>

Figure 69: Combined Assurance

- ▶ Combined Assurance Implementation Plans from 2014 onwards, were not provided for review. NDPWI has confirmed that combined assurance was only implemented in 2019/20.
- ▶ We were further informed during interviews with Broll and AFMS that monthly reports were a requirement of their contract.

Root cause

- ▶ Although a process to develop the combined assurance model was started, it was not adequately reviewed and approved
- ▶ Disconnect between the Combined Assurance documents due to inadequate review and consolidation.

Effect

- ▶ Inadequate integrated internal control environment and inadequate assurance to those charged with governance for decision-making.
- ▶ Ambiguity and uncertainty of roles and obligations of various role-players resulting in inadequate assurance.
- ▶ Possible duplication of efforts or the stakeholders providing inadequate information.
- ▶ Unidentified or unmanaged weaknesses in the combined assurance framework.

Recommendation

- ▶ We recommend that NDPWI reviews the Integrated Assurance Framework, Combined Assurance Model and Risk Management Policy and updates same for current requirements and procedures as per best practice by adding the following (but not limited to):
 - > Include consultants as the first level of assurance as they are also assurance providers.
 - > Add reporting requirements by all the assurance providers including the types and frequency of reports.
 - > The names and designations of the reviewers and approvers as well as the dates when they were reviewed and approved.
 - > Version control.
 - > Quality control of document (spelling and grammar).
 - > Store the model in a pdf format that cannot be easily amended or manipulated.
- ▶ Management to reconsider the inclusion of the Companies Act and King IV in the Risk Management Policy as it is not required to be complied with by Departments.
- ▶ This framework and process should be reviewed and revised by the Department's Governance, Risk and Compliance Unit.
- ▶ Department Governance, Risk and Compliance Unit should submit the Framework to the Department Risk Management Committee and EXCO for recommendation and the Audit Committee for approval. Once approved the framework and processes should be delegated to management to implement, ensuring that the combined assurance model encompasses all levels of assurance.
- ▶ Reporting requirements should be clearly stipulated ensuring that the format, details required and frequency of reports are documented in the Combined Assurance Model.

Management comment and action plan

Management Comment:	Review notes on the Combined Assurance Framework are received and noted.
Management's Action Plan to be implemented:	The Combined Assurance Framework will be updated as per the review notes.
Responsible Official:	Deputy Director-General: Governance and Risk Management. Chief Audit Executive.
Planned Implementation Date:	31 December 2020.
Internal Audit Conclusion	We accept management comments. A follow up audit to be conducted in the beginning of 2021.

Finding 27: Inadequate capacity of the IA Function

Finding Rating	Significant
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Context

Our review included an assessment of how well the combined assurance model works to enable the NDPWI to be AGSA audit-ready and to address actual and potential control deficiencies before the AGSA commences their audit.

Our review therefore considered the combined assurance model, including the governance around it and the capacity within the Cape Town region with regards to the internal audit function. We further considered the strategic nature of the services rendered by NDPWI in Cape Town with regards to National Key Points and in relation to MISS and the role of independent assurance that internal audit needs to provide in terms of NIAMMS.

We did take into consideration that the NDPWI does outsource / insource / co-source specialists annually with regards to implementation of the internal audit plans as approved by the Audit and Risk Committee.

This finding therefore aims to support the CAE in enhancing capacity within the NDPWI, specifically in relation to operational and technical audits, over and above making use of the co-sourced model. We do also take cognisance that all organs of state are currently under tremendous pressure to implement what is required, with the current staff available and that filling of vacancies are not fully funded at this point in time.

The Cape Town regional office staff consists of 2 Senior Internal Auditors who report to the Chief Audit Executive based in the Head Office in Pretoria.

Context

The Cape Town regional office staff consists of 2 Senior Internal Auditors who report to the Chief Audit Executive based in the Head Office in Pretoria.

Criteria

Control/Evidence required
<p>Implementation Standard 1210.A1 of the International Standards for the Professional Practice of Internal Auditing states the following:</p> <p><i>“The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.”</i></p> <p>Employment Equity Policy and Recruitment Policy states that: <i>“every manager is responsible for the effective staffing of the organizational structure. All vacancies shall be filled in due consideration of the set targets”</i>.</p>

Finding

During our review we requested and obtained the Internal Audit organisational structure to determine whether the Cape Town office, in particular, are suitably capacitated.

- ▶ The organisational structure provided indicated that the following positions linked to Cape Town’s Internal Audit Capacity are vacant:

> Audit Supervisor

The current team deployed in Cape Town includes two Senior Internal Auditors. Both of the Senior Internal Auditors have 6 and 5 years of experience respectively.

- ▶ From our interaction with the acting Regional Manager, we noted that the IA staff do not have the necessary technical skills and expertise to audit the construction projects as they do not have engineering experience, qualifications nor make use of such specialists.

Below are the qualifications of internal audit staff responsible for audits at the Cape Town region.

No.	Position	Appointment date	Qualifications	Audit Experience
1	Senior Internal Auditor 1	01 August 2014	<ul style="list-style-type: none"> • B-Tech: Internal Auditing • Certificate in Risk Management • Internal Audit Technician (IAT) • Professional Internal Auditor (Final Assessment) 	6 years
2	Senior Internal Auditor 2	01 September 2015	<ul style="list-style-type: none"> • National Diploma: Internal Auditing • Internal Audit Technician (IAT) • Advanced Diploma in Internal Auditing (current studies) 	5 Years

Figure 70: Qualifications of IA staff

- ▶ Based on email confirmation from the CAE, the use of internal audit service providers' amounts to 20 -30% of the plan and are either co-sourced or outsourced. This does mitigate gaps where technical skills are required to perform specific audits as approved in the audit plan.

Root cause

- ▶ Organisational structure not fully aligned to the needs of NDPWI at regional level.
- ▶ Lack of adequate budget to capacitate the required Internal Audit Organogram.
- ▶ Delays from Human Resources Management Head Office to fill the vacant posts.

Effect

- ▶ Annual project related internal audit coverage are not fully achieved based on various other internal audit projects which are also of key importance to achieve audit plan coverage.
- ▶ Not all critical technical findings are identified before the AGSA identify such, which results in inadequate combined assurance amongst the third tier assurance providers.
- ▶ Inadequately executed audits which could result in the objectives of the audit not being satisfied, risks not identified and controls not adequately tested for effectiveness.
- ▶ Quality of management comments and action plans are negatively impacted as a result of less technical internal auditors not being able to counter-argue findings.
- ▶ Inadequate audit plans, coverage and procedures.

Recommendation

It is recommended that management implements the following:

- ▶ Reconsider the structure required in the Cape Town Region specifically, based on the nature of the internal audit work required by NIAMS and SIPDM/FIPDM to ensure that the internal audit unit is empowered to conduct frequent project related internal audits.
- ▶ Fill vacant positions with a CIA to enhance current capacity.

- ▶ To continue increasing the skills capacity within the IA activity through employment or insourcing of specific technical skills as per the current project under review.

Management comment and action plan

Management Comment:	Inputs on the structure of Internal Audit noted.
Management's Action Plan to be implemented:	<p>The ASD vacant position at Cape Town is one of the priority positions to be filled in the current financial year.</p> <p>Internal Audit will continue to utilise the panel of service providers for audit areas that require technical skills.</p> <p>A request will be made with HRD to consider the review of the Internal Audit structure in line with the technical competencies and skills aligned to the key mandate of the department.</p> <p>The professionalisation of Internal Audit to include the core mandate of the department has started.</p>
Responsible Official:	<p>Chief Audit Executive - Ms Rendani Mashigoane</p> <p>Deputy Director-General: Corporate Service - Mr Clive Mtshisa</p>
Planned Implementation Date:	<p>31 March 2020 - filling of ASD Vacant Position</p> <p>Inputs on review of IA Structure</p>

Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures

Finding Rating	Significant
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Criteria

Control/Evidence required	
>	<p>Section 1.2 of Manage Construction Stage 5 (Contract Administration) on the Construction Project Management and Engineering Services SOP lists the following requirements:</p> <ul style="list-style-type: none"> • Consultants and Contractors to prepare Monthly Status Reports; • Submit Monthly status and Cost Reports to the PM for monitoring • Continuously update the project progress on WCS (WG05PU) • Continuously monitor the progress against the PEP • The Consultants must be kept accountable for provision of monthly progress report as per PMO progress report template <p>These are to be completed by the Consultants and Project Managers saved on the WCS system by the Project Managers.</p>
>	<p>The Acting Director: Projects allocates projects to project managers. The proposed ratio of projects per project manager is 1:10.</p>

Finding

- ▶ As per the interview with the Acting Director: Projects on 14 October 2020 it was noted that the current project manager to project ratio is 1:20. This is higher than the ratio recommended in the SOP.

The following was also noted:

- ▶ No evidence of the WP05PU project progress reports could be provided. The physical files provided for audit purposes contained site meeting minutes and financial reports but not separate consultant reports that would have been submitted to the Project Managers detailing the progress of the projects to highlight any delays.
- ▶ The department's website has a template for consultant reports, PRM-014, which is to be used for monthly progress reports. However, these reports could not be located on the physical project files and from the project managers.
- ▶ Reliance is placed on the Works Control System (WCS) which is a financial system that cannot articulate the status of projects in full as it only has limited payment information and dates.
- ▶ The SOP is silent on the determination of the project management ratio, and does not consider the value of projects in the ratio. This single-faceted measure is not a fair standard as project values differ greatly and require more project management activities, depending on the complexity and value of the project.

Root cause

- ▶ Non-compliance with the Construction Project Management and Engineering Services SOP
- ▶ Inadequate compliance with the procedures documented on the Construction Project Management and Engineering Services SOP
- ▶ Reliance on the WCS system which is a financial system not a project management system
- ▶ Inability to establish the best practice ratio of project managers to projects
- ▶ High employee turnover rate

Effect

- ▶ Undetected project delays resulting in project budget overruns.
- ▶ Missed deadlines leading to project failures.
- ▶ Lack of accountability and responsibility in instances of non-compliance.
- ▶ Poor delivery of client requests due to excessive workloads.

Recommendation

It is recommended that management ensures the following:

- ▶ Implement an automated Project Management system where all project progress and financial reports are maintained.
- ▶ Ensure that all monthly submissions are done by the consultants and have the Project Managers sign them off.
- ▶ Ensure that the Project Managers compile monthly reports that agree to the consultant reports; if not; follow-up on differences noted.

Management comment and action plan

Management Comment:	
Management's Action Plan to be implemented:	
Responsible Official:	Deputy Director General: Projects
Planned Implementation Date:	
Internal Audit Comments:	No management comments have been provided.

Finding 29: Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements

Finding Rating	Significant
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Criteria

Control/Evidence required
<p>Treasury Regulation section 5.2.3 states that</p> <p style="padding-left: 40px;"><i>“The strategic plan must</i></p> <p style="padding-left: 40px;"><i>“(d) include the key performance measures and key indicators of the Service Delivery Improvement Programme for assessing the institution’s performance in delivering the desired outcomes and objectives;</i></p> <p style="padding-left: 40px;"><i>(g) form the basis for the annual reports of accounting officers as required by sections 40(1) (d) and (e) of the Act”</i></p> <p>Annual Report Guide for National and Provincial Departments section 2.4.3 states the following:</p> <p style="padding-left: 40px;"><i>“Guideline</i></p> <p style="padding-left: 40px;"><i>Each department should state the strategic outcome oriented goals as per the Strategic Plan and the progress made towards the achievement of the 5 year targets. The department must highlight significant achievements with regard to the 14 outcomes announced by the Department of Performance Monitoring and Evaluation. This is only applicable to departments that directly contribute to the achievement of one or more of the 14 outcomes. A department that does not directly contribute to any of the 14 outcomes must highlight significant achievements with regard to its own outcome(s). The department must also highlight significant achievements with regard to the National Development Plan (NDP).”</i></p> <p>The Annual Performance Plans (APPs) are translated into Operational Plans where strategic performance indicators are broken down into operational performance indicators which inputs, activities, processes and lower level outputs. The budget is, at this stage linked and done at an activity level. The objective is to link the Operational Plans to the key performance areas of management.</p> <p>Project Managers are responsible for planning projects, creating schedules and timelines, executing project phases to completion, managing the budgets and serving as the liaison among all stakeholders.</p> <p>Management enters into annual Performance Agreements to ensure accountability on key performance areas.</p>

Finding

- ▶ We analysed the 2018/19 Performance Agreement for Project Managers to the 2018/19 APP and the following differences were noted:

#	KPIs as per Performance Agreement	KPIs as per Annual Performance Plan
1	Number of infrastructure projects (Regionally) with approved project designs.	Number of approved infrastructure project designs
2	Number of infrastructure projects ready for tender.	Number of infrastructure projects ready for tender

3	Number of infrastructure projects where sites were handed over for construction.	Number of infrastructure sites handed over for construction
4	Infrastructure projects completed within time	Number of infrastructure projects completed
5	-	Number of infrastructure projects completed within construction period
6	Infrastructure projects completed within budget	Number of infrastructure projects completed within the approved budget
7	Number of EPWP work opportunities created through construction projects.	Number of EPWP work opportunities created through construction projects
8	-	Percentage reduction of infrastructure projects backlogs
9	-	Number of contractors incubated through the Contractor Incubation Programme (CIP)

Figure 71: Project manager KPIs

- ▶ Through discussion with the acting Regional Manager on 15 October 2020 and Senior Internal Auditor on 16 October 2020 it was noted that Project Managers' targets are tested by internal audit during the construction audit reviews. Project Managers are required to submit Portfolios of Evidence to confirm completed KPIs and reasons should the KPIs not be achieved. If the KPIs are not achieved for consecutive assessment periods, then they are removed from the Project Managers' KPI requirements and not carried over to the subsequent year. There does not appear to be any accountability or consequence management for non-achievement of KPIs, these are removed from the KPI requirements.

Root cause

- ▶ Management oversight by not comparing the KPIs on the two documents to ensure that they correlate.
- ▶ Lack of alignment of APP and Performance Agreement KPIs.
- ▶ Project Managers are not held accountable for non-performance.

Effect

- ▶ Unmonitored performance leading to under-achievement of KPIs and client dissatisfaction.
- ▶ Management cannot hold the Project Managers accountable for poor performance.
- ▶ Poor service delivery which hinders the entity from reaching its objectives.

Recommendation

It is recommended that management ensures the following:

- ▶ The achievement of Project Manager KPIs are assessed regularly;
- ▶ The APP KPIs match the KPIs on the Performance Agreements; and
- ▶ KPI targets not achieved should be carried over to the next period. Non-performance must be investigated and addressed.

Management comment and action plan

Management Comment:	Management notes the finding.
Management's Action Plan to be implemented:	Recommendations will be actioned accordingly.
Responsible Official:	Head of Projects
Planned Implementation Date:	New financial year.
Internal Audit Conclusion	Management should consider including the Directorate: Human Resource Development with regards to this matter to ensure appropriate PDP's are drafted to allow achievement of KPI's.



SECTION VII: VALUE ADD FINDINGS

SECTION VII: VALUE ADD FINDINGS

OPERATIONAL AND SITE FINDINGS

Finding 30: Fire Protection in heritage assets

Finding Rating	Critical
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Criteria

This finding is a value-add finding:

Control/Evidence required
<p>As per the National Heritage Resources Act (1999), the following:</p> <p>General principles for heritage resources management</p> <p>5. (1) All authorities, bodies and persons performing functions and exercising powers in terms of this Act for the management of heritage resources must recognise the following principles:</p> <p>(a) Heritage resources have lasting value in their own right and provide evidence of the origins of South African society and as they are valuable, finite, non-renewable and irreplaceable they must be carefully managed to ensure their survival (South Africa, 1999a).</p>

Finding

- ▶ During the site visit to the NCOP building and Tuynhuys on 21 September, it was noted that Tuynhuys is not fitted with an automatic sprinkler system and that the NCOP building's sprinkler system has not been operational for some time. Although these buildings might already comply with the regulations as set out in SANS 10400-T:2011 (South African Bureau of Standards, 2014), it should be taken into consideration that the purpose of this code is to save lives, not buildings. As these buildings form part of the National Heritage and are National Key Points, contains significant amount of wood, it is concerning that there seems to be no automated fire systems in place to protect these buildings from destruction in case of fire.
- ▶ The fire protection system of the NCOP building's library appears to be state of the art, but it is doubtful if this system would be able to protect the library in case the building should catch fire. If the rest of the building would catch fire, the roof where the system's gas cylinders are stored, would also catch fire, as the structure contains a significant amount of wood.

Root cause

- ▶ Lack of appropriate project management implementation strategy and policies.

Effect

- ▶ Inadequate fire protection for heritage buildings.
- ▶ Potential loss of life and loss of heritage assets.

Recommendation

- ▶ It is recommended that a suitably qualified and experienced fire engineer, together with suitably experienced personnel from the South African Heritage Resources Agency and representatives from the Department of Public Works and Infrastructure as well as the appropriate Parliamentary stakeholders Prestige be tasked to:
 - > Evaluate policy regarding the protection of these buildings against fire.
 - > Review possible options and make recommendations regarding automated fire protection of these buildings.

Management comment and action plan

Management Comment:	Management note the finding.
Management's Action Plan to be implemented:	Mechanical Engineers and Heritage Consultants are appointed for applicable projects and projects are implemented according to the approved fire chief's recommendations. These two projects have also gone through the same process.
Responsible Official:	DDG: CM.
Planned Implementation Date:	n/a.
Internal Audit Conclusion	We recommend that this matter takes precedence and be engaged upon with the specialists on board. Mechanical Engineers are not always specialists in Fire Protection.



SECTION VIII: REVIEW OF AUDIT SCOPE AND RECOMMENDATIONS

SECTION VIII: REVIEW OF AUDIT SCOPE AND RECOMMENDATIONS

Audit Scope Review

In this section, the audit scope is reviewed in terms of the sections of this report.

1. Review of technical information and expenditure of selected projects on status 4 (design stage) to 8 (completion) to reduce capital cost and project failure

This was extensively covered in the section dealing with **Project Scope, Timelines and Comments** (page 14), where the context for each of the projects was established. The site visits also informed this process. This resulted in the following finding, each with individual recommendations:

FM Findings

- ▶ Finding 1: Inadequate contract planning with regard to FM contracts.
- ▶ Finding 2: Inadequate initial scope definition on FM contracts.
- ▶ Finding 3: FM contract does not make provision for refurbishment.
- ▶ Finding 4: Maintenance responsibility not carried over to FM contractors after maintenance contracts with original equipment manufacturers expire.
- ▶ Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management.
- ▶ Finding 6: Lack of access control at Acacia Park.
- ▶ Finding 7: Acacia Park Intercom maintenance.
- ▶ Finding 8: Inadequate garden maintenance in Parliamentary Precinct.

Project Management Findings

- ▶ Finding 9: Project Management System is outdated.
- ▶ Finding 10: There is no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management.
- ▶ Finding 11: Inaccurate project schedules and excessive extension of time delays.
- ▶ Finding 12: Inadequate portfolio and programme management systems.
- ▶ Finding 13: Specifications not aligned with long-term low maintenance strategy.
- ▶ Finding 14: Project contingency is calculated using an unscientific method.
- ▶ Finding 15: Document Information System is outdated.
- ▶ Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.
- ▶ Finding 17: Lack of Site Safety Management.
- ▶ Finding 18: Lack of quality management on refurbishment and upgrade projects.
- ▶ Finding 19: Lack of Planning & Fruitless and Wasteful Expenditure - 90 Plein Street 6th Floor refurbishment.
- ▶ Finding 20: Ventilation System Design and Fire Protection in the Precinct needs to be reviewed by Fire Consultant.
- ▶ Finding 21: Non-compliance to Fire Regulations.
- ▶ Finding 22: Fruitless and Wasteful Expenditure - Acacia Park Bar Stools.

2. Review of controls implemented for the improvement of performance monitoring and construction projects including compliance monitoring (technical) of contracts to meet legislative requirements.

This is referred to in the following findings:

- ▶ Finding 9: Project Management System is outdated.
- ▶ Finding 11: Inaccurate project schedules and excessive extension of time delays.
- ▶ Finding 12: Inadequate portfolio and programme management systems.
- ▶ Finding 14: Project contingency is calculated using an unscientific method.
- ▶ Finding 15: Document Information System is outdated.
- ▶ Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.

3. Review of portfolio analysis and optimization.

A maturity assessment was conducted on portfolio analysis and optimization and it was found that the NDPWI is on Level 1, the lowest level of portfolio management. This is included in **Finding 12: Inadequate portfolio and programme management systems**, which includes a comprehensive set of recommendations.

4. Implementation of Combined Assurance processes, (being ahead of AGSA to prevent negative audit outcomes)

This is referred to in the following findings:

- ▶ Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes.
- ▶ Finding 24: Inadequate Policies and Procedures.
- ▶ Finding 25: No gateway review process in place.
- ▶ Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy.
- ▶ Finding 27: Inadequate capacity of the IA Function.
- ▶ Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures.
- ▶ Finding 29: Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements.
- ▶ Finding 30: Fire Protection in heritage assets.

Taking the above, together with the significant amount of possible irregular expenditure identified, it has to be concluded that the performance monitoring system and related controls are inadequate and also ineffective.

5. Review the measurable plan of action to improve the key areas of concern on time to plan and complete projects, (i) project delays, (ii) quality of workmanship, (iii) approval of scope changes, (iv) management of cost overruns and fruitless expenditure, project failure prior to design life, nonperforming contracts and handover processes - including facility management contracts and lift contracts.

No evidence could be found of a measurable plan. The recommendations from this report should be incorporated into the plan.

6. Review the overall management of capital and maintenance projects in the Parliamentary Precinct focusing on the project methodology, planning, resources, processes and implementation.

The findings were reviewed and categorised as follows:

Project Methodology (how)

- ▶ Finding 4: Maintenance responsibility not carried over to FM contractors after maintenance contracts with original equipment manufacturers expire.
- ▶ Finding 5: There is no formal immovable asset risk management process in place, including project and procurement risk management.
- ▶ Finding 9: Project Management System is outdated.
- ▶ Finding 10: There is no formal Departmental requirements to either the appointed consultants or contractors to perform formal project risk management.
- ▶ Finding 14: Project contingency is calculated using an unscientific method.

Project Planning

- ▶ Finding 1: Inadequate contract planning with regard to FM contracts.
- ▶ Finding 2: Inadequate initial scope definition on FM contracts.
- ▶ Finding 3: FM contract does not make provision for refurbishment.
- ▶ Finding 11: Inaccurate project schedules and excessive extension of time delays.
- ▶ Finding 12: Inadequate portfolio and programme management systems.

Project Resources (with what)

- ▶ Finding 7: Acacia Park Intercom maintenance.
- ▶ Finding 13: Specifications not aligned with long-term low maintenance strategy.
- ▶ Finding 27: Inadequate capacity of the IA Function.
- ▶ Finding 29: Project Managers not held accountable on Key Performance Indicators and discrepancies noted on Performance Agreements.

Project Processes and implementation

- ▶ Finding 6: Lack of access control at Acacia Park.
- ▶ Finding 15: Document Information System is outdated.
- ▶ Finding 16: The Department's risk register is generic and does not contain sufficient detail to be monitored in terms of meeting project objectives.
- ▶ Finding 8: Inadequate garden maintenance in Parliamentary Precinct.
- ▶ Finding 17: Lack of Site Safety Management.
- ▶ Finding 18: Lack of quality management on refurbishment and upgrade projects.
- ▶ Finding 19: Lack of Planning & Fruitless and Wasteful Expenditure - 90 Plein Street 6th Floor refurbishment.
- ▶ Finding 21: Non-compliance to Fire Regulations.
- ▶ Finding 23: Irregular expenditure due to the misuse of authorisations and circumvention of internal procurement processes.
- ▶ Finding 22: Fruitless and Wasteful Expenditure - Acacia Park Bar Stools.
- ▶ Finding 24: Inadequate Policies and Procedures.
- ▶ Finding 25: No gateway review process in place.
- ▶ Finding 26: Weaknesses identified in the Combined Assurance Plan and Enterprise-wide Risk Management Policy.
- ▶ Finding 27: Inadequate capacity of the IA Function.
- ▶ Finding 28: Inadequate Construction Project Monitoring and Reporting Procedures.

7. Review of the controls on a plan on how to bridge the gap between project mode and normal operations.

This is discussed in detail in the following finding:

- ▶ Finding 11: Inaccurate project schedules and excessive extension of time delays. It is a planning and stakeholder engagement issue.

Way forward

Each of the various findings were presented in terms of root causes, effects as well as recommendations. The question then remains - “What is there to do to improve project delivery at the NDPWI?” It should also be noted that the auditors now have a much clearer picture of the complex internal and external context in which the NDPWI operates, and it includes some of that is contained in the next table:

Complex stakeholder environment	Complex physical environment	Construction industry delivery issues	Project management system
<ul style="list-style-type: none"> • Client, with evolving infrastructure needs. • Stringent security / Access requirements • Party politics. • DPW Head Office requirements. 	<ul style="list-style-type: none"> • Heritage buildings. • Aging infrastructure. • Maintenance backlog. • Availability of drawings and other technical information. 	<ul style="list-style-type: none"> • Quality issues. • Skills / Resources / Experience. • Affordability. 	<ul style="list-style-type: none"> • Manual / Outdated Project management systems (planning, document control, reporting). • Aging experienced workforce.

Figure 72: Internal and external context

Based on the above and other emerging themes, risk sources and proposed treatment plans, the following diagram was created to indicate how the various findings related to each other and how the various factors (personnel, systems and process) are brought together:

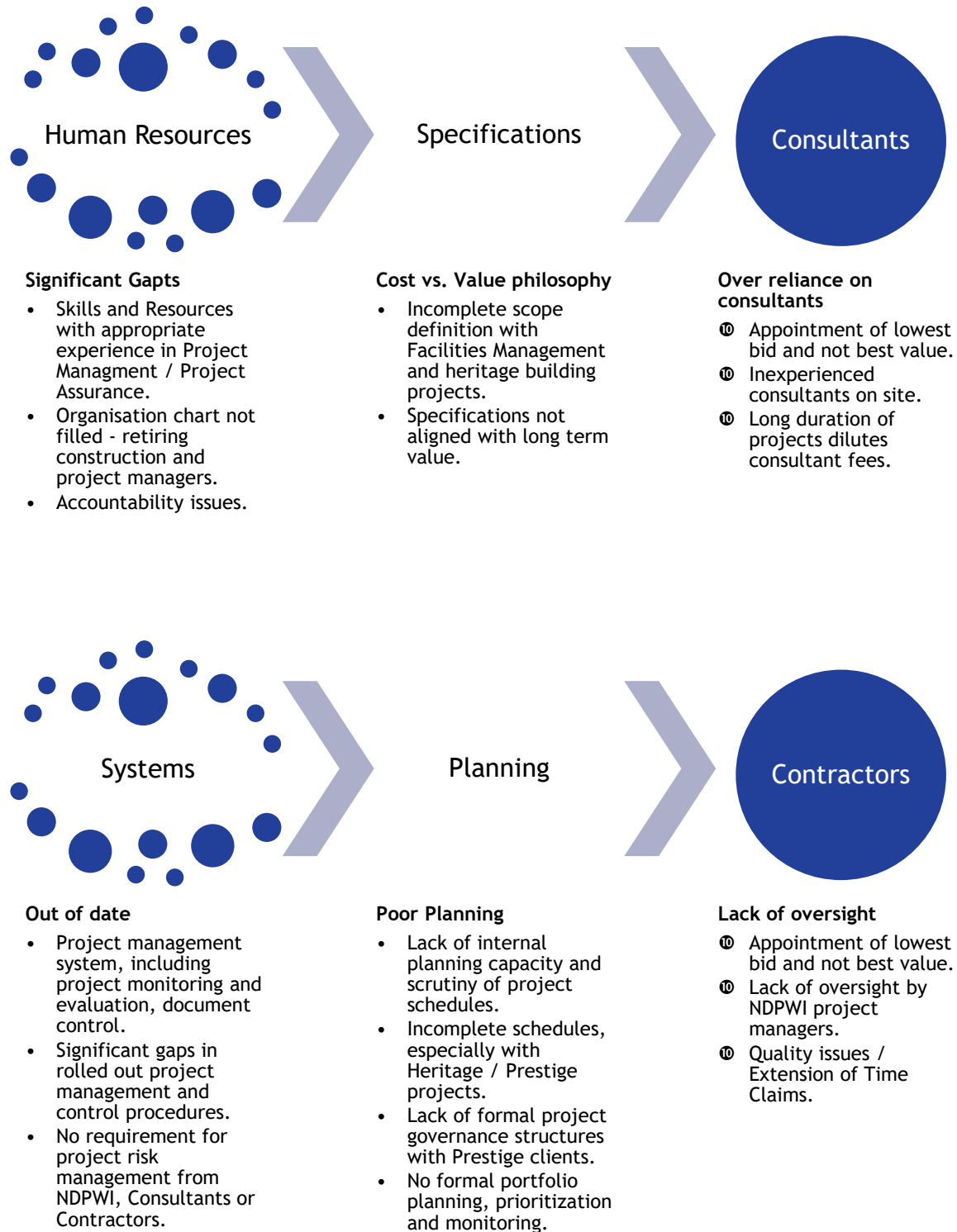


Figure 73: Reasons for project failure

The effect of this can be seen in the following diagram, presenting some project objectives:

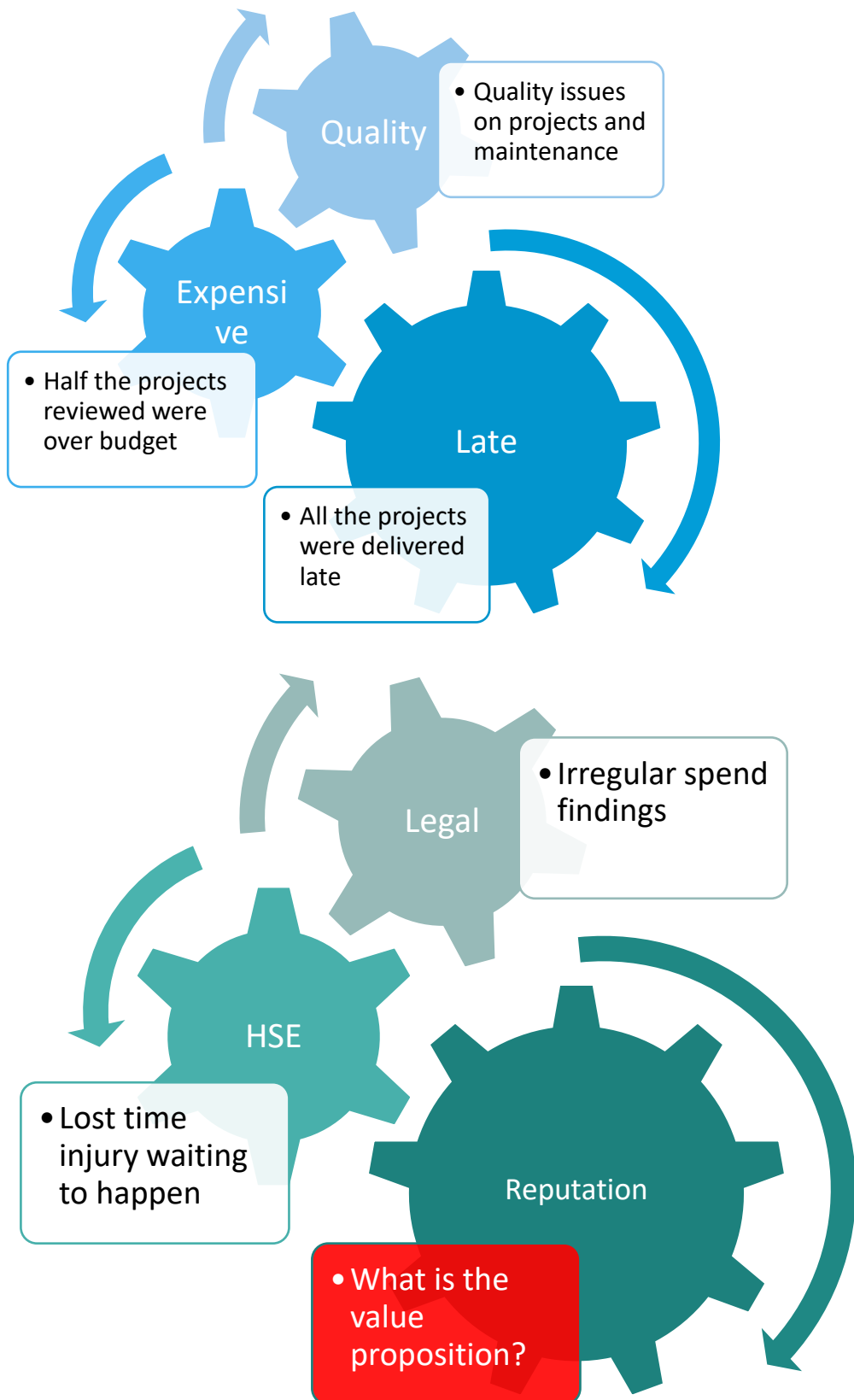


Figure 74: Outcome of project system failure

The outcome of project failure is an issue of reputation and the question “What is the value proposition?”.

It has to be concluded that the way in which the audited projects are implemented, significantly undermines the NDPWI’s value proposition.

In the short term, it is recommended that:

- ▶ With immediate effect:
 - > clear roles and responsibilities and project governance structures be confirmed and implemented between NDPWI and Parliament.
 - > which types of projects are executed by which teams also needs to be confirmed.
 - > Immovable asset risk registers, including project risk registers must be implemented and managed by both NDPWI and Parliament as a collective.
- ▶ In the short-term, additional capacity is sourced from either the public or private sector and it needs to be ensured that this service provider has a reputation of delivering projects on time, within budget and to the right levels of quality.
- ▶ In the longer term, NDPWI needs to ensure that the gaps in the organisation chart are filled with suitably qualified and experienced project management professionals.



SECTION IX: REFERENCES

SECTION IX: REFERENCES

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