

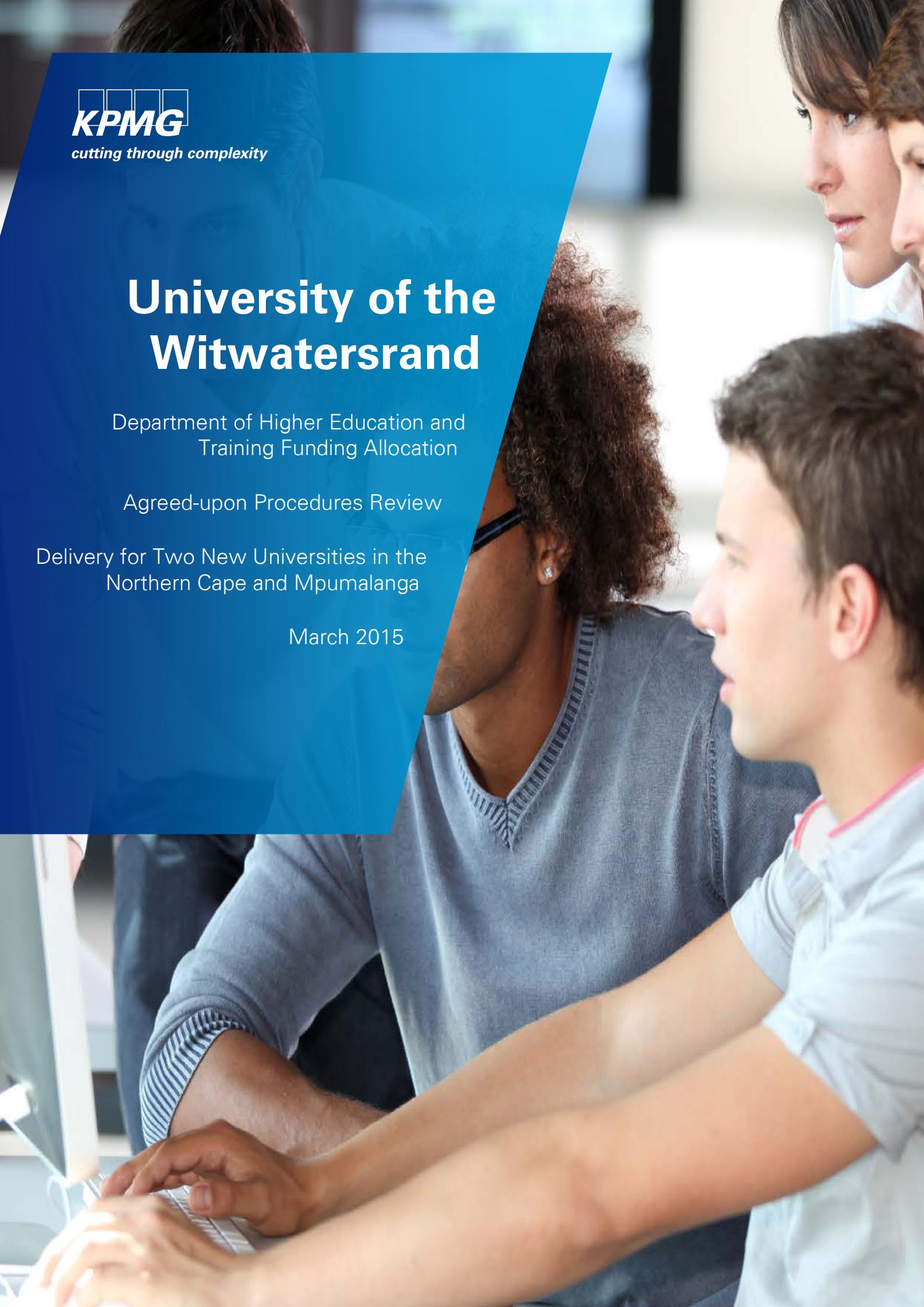
University of the Witwatersrand

Department of Higher Education and
Training Funding Allocation

Agreed-upon Procedures Review

Delivery for Two New Universities in the
Northern Cape and Mpumalanga

March 2015



Distribution

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Report to the University of the Witwatersrand in respect of the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation

Background

The Department of Higher Education and Training (DHET) provides funding to the University of the Witwatersrand ('the University') relating to the Infrastructure Planning and Delivery Proposals for Two Envisaged Universities in the Northern Cape and Mpumalanga.

On 23 February 2012 a Memorandum of Agreement ("the Master Agreement") (for the period 01 November 2011 to 30 November 2012 was signed between the University and the Department of Higher Education and Training.

The Master Agreement has been amended four (4) times on 27 November 2012, 15 March 2013, 22 November 2013 and 12 September 2014, extending the duration and increasing the budget. Annexure 4 of the Master Agreement covers the period 01 November 2011 to 31 March 2016 with a total budget amounting to R1 951 506 053.

Agreed upon procedures

We have performed the procedures as specified by you and enumerated below with respect to the expenditure verification of the Delivery of Two New Universities Grant funding ("the grant") received from the Department of Higher Education and Training for the period 01 April 2014 to 31 March 2015.

Our engagement was conducted in accordance with the International Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the University.

Our procedures were performed solely to provide findings on whether the funding allocation was utilised in accordance with the DHET and the University's Master Agreement and Annexures. In terms of our agreement, our procedures did not extend to the completeness of the schedule of funds expended.

Our procedures are summarised below:

We obtained the detailed schedule of funds expended for the projects covered by the grant (namely project codes HETP001, HETM001, UMP0003, UMP0007, HETN001, SPU0006, SPU0007, and SPU0008) for the period 01 April 2014 to 31 March 2015 from the University ("management") (refer to **Annexure A**). We did not verify the completeness of the transactions listed on the schedule of funds expended, but relied on the information provided to us by management, and as such we do not give any assurances in this regard.

We performed the agreed upon procedures on 100% of the actual expenditure incurred (total population), amounting to R399 926 570.34 and is represented in **Annexure A**.

- 1 In respect of the transactions listed on the schedule of funds expended we:
 - a) Inspected the supporting documentation (invoices, internal requisitions and employee pay slips) for all the expenses to confirm that:
 - i. Original invoices/ contract/s of employment/ internal requisitions existed and were made out to the University

- ii. The payment of the invoices/ salaries/ internal requisitions was approved in terms of the relevant University policies and procedures and Delegation of Authority.
- b) Inspected the sign off from Architects and Quantity Surveyors i.e. signed "valuation for payment certificate" where applicable (i.e. confirmation that an inspection has been performed).
- c) Inspected the invoices/ payslips/ internal requisitions and the attached supporting documentation, and ensured that the description of the expense according to the invoices/ payslips/ internal requisitions matched the eligible expenses allowed in terms of the requirements of the Master Agreement and Annexures (this is based on the University's description of the project and the project outcomes as per the Master Agreement).

Findings

We report our findings below:

The table below reflects a summary of the expenditure incurred per grant project for the period 01 April 2014 to 31 March 2015 (refer to **Annexure A**):

No	Project code	University	Building Number	Project Description	Total amount expended
1	HETP001	General	-	NU PMT Programme Management	R68 035 521.92
2	HETM001	Mpumalanga	-	Verification studies, implementation 2014,2015, including ICT & furniture plus designs for 2016	R98 510 840.41
3	UMP0003	Mpumalanga	L001	Student Residences - construction	R3 804 563.34
4	UMP0007	Mpumalanga	L006	Laboratory & Academic Complex – construction	R17 600 345.01
5	HETN001	Sol Plaatje	-	Verification studies, implementation 2014,2015, including ICT & furniture plus designs for 2016	R134 424 055.98
6	SPU0006	Sol Plaatje	L001	Residence Building - construction	R32 675 088.15
7	SPU0007	Sol Plaatje	L002	Residence, Dining and Academic - construction	R32 261 787.52
8	SPU0008	Sol Plaatje	L003	Academic Building - construction	R12 614 368.01
Total					R399 926 570.34

We performed the agreed upon procedures on the expenditure incurred for the period 01 April 2014 to 31 March 2015 and report the following:

1 With respect to item 1

- a) We inspected the supporting documentation (invoices, internal requisitions and employee pay slips) for each expenditure item (100% of the population).
 - i. In determining whether original invoices/ contracts of employment existed and were made out to the University, we performed the following:
 - Where the expenditure was for staffing purposes, we inspected the employment contracts and found the staff to be employed by the University.
 - Where the expenditure was in respect of procurement or travel, we inspected the invoices, for the amounts indicated on the schedule of funds expended and found them to be made out to the University.

- ii. In determining the appropriate authorisations for the payment of the invoices, employee(s) and internal requisitions, we performed the following:
 - In the case of remuneration related payments, we inspected that the payments were approved in terms of the University's policies and procedures and the Delegation of Authority. This was evidenced by verifying that the respective approved remuneration batch payment documents.
 - For the invoices paid and internal requisitions made out, we inspected that the payments and internal requisitions were approved in terms of the University's policies and procedures and the Delegation of Authority. This was evidenced by verifying that the respective invoices and internal requisitions (where applicable) were approved by the relevant Head of Department/ authorised person and we traced the payment to the relevant EFT payment listing and verified that the batch payment in respect of the EFT payment was appropriately approved.

Invoices to the value of R32 463.09 have been processed (these have been agreed to the purchase orders and invoices), but have not yet been presented for payment; however these are included in the creditors balance at 31 March 2015.

- b) In determining whether there was sign off from Architects and Quantity Surveyors, where applicable, we inspected the relevant signed off "valuation for payment certificate".
- c) In determining whether the expenditure incurred was in line with the requirements of the Master Agreement and Annexures, we ensured that the description of the expense according to the invoice and/ or internal requisition matched the eligible expense allowed and based on the following indicators:
 - i. Where the expenditure was for staffing purposes, we inspected the employee contracts and found them to relate to the grant allocation.
 - ii. Reference was made on the invoice (or internal requisition) and/ or purchase order to the project account set up in the University's systems in terms of the grant and/ or discussions with management, or confirmation via a letter, confirming that the expenditure was utilised in respect of the grant allocation.
 - iii. The description of the invoice and/ or purchase order correlated to the various line item descriptions for the grant in the schedule of funds expended (refer to **Annexure A**).

Due to the nature of other expenditure relating to travel, accommodation, subsistence allowance etc., we relied on written (email) confirmations provided by management, confirming that the expenditure was incurred in line with the requirements of the Master Agreement and Annexures.

Management fee

In respect of the University's management fee totalling R7 148 400, we obtained the calculation of the management fee from management in order to confirm that the fee equated to 2.5% of the expenditure as allowed by the Master Agreement and Annexures. We did not verify the completeness thereof, but relied on the information and calculation provided to us by management.

The University's calculation of the management fee is as follows:

Description	Amount
Total management fee budgeted for (committed) based on MoA	R32 257 814
Less: management fee paid up to February 2015	(R7 148 400)
Remaining management fee committed	R25 109 414

In respect of this calculation we confirmed the following:

- I. The University administration fee amounting to R7 148 400 equates to 2% of the total expenditure for the duration of the project.

The MoA between the Department of Higher Education and Training and the University stipulates that an administration fee of 2.5% of total expenditure is allowable to cover any indirect and administrative costs. The administration fee did not exceed the allowance of the MoA.

Commitments

In respect of the committed funds totalling R922 379 727.20 and represented in **Annexure B**, we obtained the detailed calculation of the committed funds from management. We did not verify the completeness of the committed funds, but relied on the information and calculation provided to us by management.

The University's calculation of the committed funds is as follows:

Description	Amount
Total approved contract values	R1 322 306 297.54
Less: Total expenditure paid up to February 2015	(R399 926 570.34)
Total committed expenditure	R922 379 727.20

In respect of this calculation we confirmed the following:

- I. For the expenditure incurred to date, we reconciled the total expenditure incurred and paid up to 28 February 2015, totalling R399 926 570.34 per the commitment calculation (**Annexure B**) to the total expenditure listed as per the detailed schedule of funds expended on the projects (**Annexure A**).
- II. The total value of the contracts and/ or purchase orders, R1 322 306 297.54 was agreed to the actual values as per the contracts. The period of delivery for the contracts and/ or purchase orders is stipulated to be delivered by 31 March 2016.

Interest

No audit procedures were performed regarding the interest amount disclosed and as such we do not give any assurance thereon.

Closing

Because the above agreed-upon procedures do not constitute either an audit, a review or any other assurance engagement made in accordance with International Standards on Auditing, Internal Standards on Review Engagements, or International Standards in Assurance Engagements, we do not express any assurance over the schedule of funds reviewed for the period 01 April 2014 to 31 March 2015.

Had we performed additional procedures, or had we performed an audit or review or other assurance engagements of the Financial Statements of the University of the Witwatersrand in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set out in the first paragraph of this report and for your information and is not to be used for any other purpose, nor to be distributed to any other parties.

This report relates only to the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation grant, and does not extend to any Financial Statements of the University of the Witwatersrand, taken as a whole.

No part of this work may be reproduced or transmitted in any form by any means, electronic or mechanical, including photocopying and recording, or by information storage or retrieval system except as permitted, in writing by KPMG.

We would like to thank the staff of the University of the Witwatersrand for their assistance during the review.

Yours faithfully

KPMG Services (Proprietary) Limited

Irma Fourie (Chartered Accountant (SA))

Director

KPMG Services (Proprietary) Limited

Wanooka Place

1 Albany Road, Parktown, South Africa

13 April 2015

Annexure A Schedule of funds expended

The attached schedule of funds expended for the period 01 April 2014 to 30 March 2015, reflecting the expenditure incurred for the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation, was received from management.

Annexure B Commitments

The attached commitments calculation for the period 01 April 2014 to 30 March 2015, reflecting the committed funds for the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation, was received from management.

Annexure C Narrative Report

The attached Narrative Report for the period 01 April 2014 to 30 March 2015, reporting on the progress of the funding received from the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation, was received from management.