



University of the Witwatersrand

Agreed upon Procedures review

**Delivery for Two Universities in
the Northern Cape and
Mpumalanga**

**Department of Higher Education
and Training**

May 2017

Distribution

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25 May 2017

Dear Prakash

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 New 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 five (5) times on 27 November 2012, 15 March 2013, 22 November 2013, 12 September 2014 and 23 March 2016, extending the duration and increasing the budget. The fifth addendum to the Master Agreement covers the period 01 November 2011 to 31 July 2017. A total budget amounting to R1 951 506 053 was provided. Of this amount, the DHET approved the release of R183 000 000 for the 2015/ 2016 year directly to the two (2) new universities (University of Mpumalanga – R100 000 000, and Sol Plaatje University – R83 000 000) for capital projects.

The University therefore had a total budget of R1 768 506 053 to deliver on the project in terms of the Memorandum of Agreement.

Report on factual findings to the University in respect of the expenditure verification of the Delivery of Two New Universities Grant awarded by the Department of Higher Education and Training to the University

We have performed the procedures agreed with 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 2016 to 31 March 2017**.

Our engagement was undertaken 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 Management of the University.

Our procedures were performed solely to assist you in indicating whether the funding allocation was utilised in accordance with the DHET and the University's Master Agreement and Annexures.

We performed the following procedures and report to you the factual findings resulting from our work:

1. We obtained the detailed schedule of funds expended on the projects covered by the grant received by the University. We placed reliance in respect of the completeness of the transactions listed on the schedule of the funds expended by the University, and as such we did not give any assurances in this regard.
2. We selected a sample not representing less than the stipulated percentage of the total expenditure for the grant funded reviews for the period, from the schedule of funds expended as mentioned above. We selected our sample utilising an audit sampling methodology in accordance with the International Standards on Auditing (ISA530: Audit Sampling).
3. In respect of the transactions listed on the schedule of funds expended, we inspected the supporting documentation (invoices, internal requisitions, payment requisitions, contracts of employment, salary costing reports, employee payslips and journals) for all of the expenses to confirm that:
 - 3.1. Original invoices/ contracts of employment/ salary costing printout and payslips/ claims- and main payroll claim forms/ internal requisitions/ payment requisitions/ journals existed and were made out to the University
 - 3.2. The payment and processing of the invoices, employees, internal requisitions/ payment requisitions/ journals was approved in terms of the relevant University policies and procedures and Delegation of Authority
 - 3.3. Where appropriate, we 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)
 - 3.4. In respect of the invoices/ payslips/ internal requisitions/ payment requisitions/ journals and the attached supporting documentation we inspected the documentation and ensured that the description of the expense according to the invoices/ payslips/ internal requisitions matched the eligible expense allowed in terms of the project. The assessment of eligibility of the expenses was based on Management's description of the project per their proposal/ agreement with the Donor which, if accepted by the Donor, we assumed that it complied with the Donor criteria against which the University's proposal/ agreement will be evaluated.

We report our findings below.

- 1 With respect to item 1 we obtained the detailed schedule of funds expended for the projects covered by the grant as listed in the table below for the period 01 April 2016 to 31 March 2017 from University Management (refer to **Appendix 1**).

The table below reflects a summary of the expenditure incurred for each grant project for the period 01 April 2016 to 31 March 2017.

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.

No	Project code	University	Building Number	Project Name	Project Description	Total expenditure up to 31 March 2016	Total expenditure for 1 April 2016 to 31 March 2017	Total expenditure to date
1	HETM001	Mpumalanga	-	MP Feasibility & Implementation Plan	Verification studies, feasibility assessments, implementation plan inputs long lead items, Interim Council establishment and set up	R189 855 498.32	R37 059 650.87	R226 915 149.19
2	HETN001	Sol Plaatje	-	NC Feasibility & Implementation Plan	Verification studies, feasibility assessments, implementation plan inputs long lead items, Interim Council establishment and set up	R237 271 690.06	R54 017 580.23	R291 289 270.29
3	HETP001	General	-	NU PMT Programme Management	Overall programme and project management for the feasibility assessment and implementation plan, Academic and Institutional Establishment and hand over to Interim Councils, ongoing programme management of Infrastructure Delivery until 31 March 2016 and phased handover to UMP & SPU	R111 410 235.28	R25 976 826.73	R137 387 062.01

No	Project code	University	Building Number	Project Name	Project Description	Total expenditure up to 31 March 2016	Total expenditure for 1 April 2016 to 31 March 2017	Total expenditure to date
4	UMP0002	Mpumalanga	-	LCA & MRTT 2014 & 2015 start	University of Mpumalanga - Refurbishment of LCA buildings and MRTT facilities, - including Design Fees, Construction, ICT cabling (P157B) & Project HETN05) - QS Estimate LDM 11 Nov 13 - for 2014 & 2015 start	R4 034 443.42	R102 822.85	R4 137 266.27
5	UMP0003	Mpumalanga	L001	LCA-Land Parcel 1.1	Residential Facilities and Study Space	R76 032 452.11	R3 211 614.60	R79 244 066.71
6	UMP0005	Mpumalanga	L004	LCA-Land Parcel 3.1	Raked Auditorium and Office Facilities	R33 589 902.63	R5 815 481.57	R39 405 384.20
7	UMP0007	Mpumalanga	L006	LCA-Land Parcel 4.1 & 4.2	Existing Buildings Conversion - Classrooms, Laboratories, Offices, Study and General Use Facilities New Buildings: Dean's Office, Library, Resource Centre, Study Space and Raked Auditorium, External works & sundry buildings	R143 270 177.48	R8 738 355.69	R152 008 533.17
8	UMP0008	Mpumalanga	L007	LCA-Land Parcel 2.1 & 2.2	Offices, Study, Sports Services, General Use, Health Care and Residential Facilities	-	R4 958 311.66	R4 958 311.66

No	Project code	University	Building Number	Project Name	Project Description	Total expenditure up to 31 March 2016	Total expenditure for 1 April 2016 to 31 March 2017	Total expenditure to date
9	UMP0009	Mpumalanga	LX01-2	Lower Campus East Electrical	Lower Campus East Electrical	R9 595 369.96	R2 717 485.66	R12 312 855.62
10	UMP0010	Mpumalanga	LX01-3	Lower Campus West Electrical	Lower Campus West Electrical	R3 872 121.83	R3 508 392.70	R7 380 514.53
11	UMP0012	Mpumalanga	LA09	-	Construction of an initial bulk water supply pipeline from the existing municipal pipeline to existing reservoir on campus.	-	R6 019 882.58	R6 019 882.58
12	SPU0005	Sol Plaatje	-	SPU-2015 Start Refurbishment	Sol Plaatje University - Refurbishment Phase 2 of Old Legislature building & William Pescod School - for 2015 start Student housing and education Whiteways, Diamond Lodge - conversion of existing flats and hotel for student housing	R27 758 170.61	-	R27 758 170.61
13	SPU0006	Sol Plaatje	C001	SPU-Central Campus Building 1 - SDA1	Residential Facilities, Study Space, Campus Support and Services Student housing and education - new academic and administration building	R178 550 354.90	R8 351 607.50	R186 901 962.40

No	Project code	University	Building Number	Project Name	Project Description	Total expenditure up to 31 March 2016	Total expenditure for 1 April 2016 to 31 March 2017	Total expenditure to date
14	SPU0007	Sol Plaatje	C002	SPU-Central Campus Building 2	Classrooms, Offices, Study, General Use, Residential facilities, Canteen and Exams Hall Student housing and education - new academic and administration building	R183 349 469.14	R14 754 770.56	R198 104 239.70
15	SPU0008	Sol Plaatje	C003	SPU-Central Campus Building 3	Classrooms, Offices, Study, Special Use, General Use, Health Care Facilities, Raked Auditoriums and Gym Facilities Student housing and education - new student residence	R142 380 079.72	R7 809 601.29	R150 189 681.01
16	SPU0012	Sol Plaatje	CX01	Construction of Bulk and Site Infrastructure on Erf 2503 in the Sol Plaatje University's precincts in Kimberley	Bulk and site infrastructure on erf 2503 comprises all services which are on Erf 2503, but outside the footprint of the buildings including bulk electrical, mechanical, TABS and civil services, as well as a bulk infrastructure yard on the Western edge of Erf 2503, and connection points of existing bulk underground municipal services along Scanlan and Bishops Avenues	R61 399 024.65	R12 156 562.68	R73 555 587.33
Total						R1 402 368 990.11	R195 198 947.17	R1 597 567 937.28

- 2 With respect to item 2 we performed the agreed upon procedures on 100% of the total actual expenditure incurred for the period. The total expenditure incurred for the period amounted to R195 198 947.17 which is represented in the **table above** and **Appendix 1**.
- 3 With respect to item 3 we inspected the supporting documentation (invoices, internal requisitions, payment requisitions, contracts of employment, salary costing reports, employee payslips and journals) for each expenditure item and report the following:
 - 3.1 Expenditure related to procurement or travel were supported by the relevant supporting documentation (original invoices/ internal requisitions/ payment requisitions/ journals) and were made out to the University. **No exceptions noted.**
 - 3.2 Expenditure related to staff expenditure were supported by the relevant supporting documentation (contracts of employment, payslips, salary costing reports and claim forms, where applicable) and were made out to the University. **No exceptions noted.**
 - 3.3 Expenditure were approved in terms of the University's policies and procedures and Delegation of Authority. **No exceptions noted.**
 - 3.4 Expenditure subject to a sign off from Architects and Quantity Surveyors, we inspected the relevant signed off "valuation for payment certificate". **No exceptions noted.**
 - 3.5 Expenditure were eligible expenditure with respect to the requirements of the Master Agreement and Annexures. **No exceptions noted.**

The eligibility was confirmed through either:

- Inspecting the supporting documentation for reference to the project and account set up in the University's system/ relation to the grant allocation; and/ or
- The description of the expense on the supporting documentation against University Managements' description of the project per their agreement with the Donor; and/ or
- Obtaining a written confirmation (email) from University Management, confirming that the sampled items was in line with the requirements of the Ministerial Statement on the Management and Utilisation of the Teaching Development Grant

- 4 **Commitments** – The committed funds amounted to R36 188 722 which is represented in **Appendix 2**. We obtained the detailed calculation of the committed funds from University Management (we did not verify the completeness of the committed funds, and only relied on the information and calculation provided to us by University Management).

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

Description	Amount
Total approved contract values	R1 633 756 659
Less: Total expenditure up to March 2017	(R1 597 567 937)
Total committed expenditure	R36 188 722

We report the following:

- 4.1 We reconciled the total expenditure incurred and paid up to 31 March 2017, totalling R1 597 567 937 per the commitment calculation (**Appendix 2**) to the total expenditure listed as per the detailed schedule of funds expended on the projects (**Appendix 1**) and the amounts agree.

4.2 The total value of the contracts and/ or purchase orders, R1 633 756 659, was agreed to the actual values as per the contracts and/ or purchase orders. The period of delivery for the contracts and/ or purchase orders is stipulated to be delivered by 31 July 2017.

- 5 **Management fee** – The management fee amounted to R38 235 787. 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 based on MoA	R39 847 723
Less: Management fee paid up to March 2017	(R38 235 787)
Remaining management fee committed	R1 611 937

We report the following:

- 5.1 The University administration fee amounting to R38 235 787 equates to 2.4% 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.

Because the above procedures do not constitute either an audit, review or any other assurance engagement performed 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 2016 to 31 March 2017.

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, 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 other than those listed in the distribution list. This report relates only to the items specified above and does not extend to any Financial Statements of the University, taken as a whole.

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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

Kobus Henning (Chartered Accountant (SA))

Director

25 May 2017

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Appendix 1 Schedule of funds expended

The attached schedule of funds expended for the period 01 April 2016 to 31 March 2017, reflecting the expenditure incurred for the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation, was received from University Management.

Appendix 2 Committed funds

The attached commitment schedule for the period 01 April 2016 to 31 March 2017, reflecting the committed funds for the Department of Higher Education and Training: Delivery of Two New Universities Funding Allocation, was received from University Management.

Appendix 3 Narrative report

The attached Narrative Report for the period 01 April 2016 to 31 March 2017, 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 University Management. No audit procedures were performed regarding the Narrative Report and as such we do not give any assurance thereon.

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