



public works
& infrastructure

Department
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

SCOPE OF WORK

PROCUREMENT OF CO-SOURCED AUDIT

SERVICES TO ASSIST INTERNAL AUDIT

UNIT IN THE REVIEW OF THE YEAR END

REPORTING AND PREPARATION OF

**PROPERTY MANAGEMENT TRADING
ENTITY (PMTE) ANNUAL FINANCIAL
STATEMENTS FOR**

YEAR ENDED 2022/23

1. **INTRODUCTION**

Internal Audit Services is required to provide assurance to Management and the Audit Committee that all systems of internal controls are working as intended. Furthermore, to provide recommendations where improvements are required for the department and its trading entity to achieve its goals and objectives and to reduce the risks to an acceptable level.

2. **BACKGROUND**

In terms of *Treasury Regulations 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.

3. **PROJECT PURPOSE**

The purpose of this audit is to perform a review of key financial risk areas and related financial controls for PMTE and will cover the following:

- Evaluate the validity, accuracy and completeness of financial records and supporting schedules as well as the adequacy and efficiency of related financial controls.
- Review compliance with laws and regulations for financial components on key risk areas.
- Review that the presentation and disclosure of financial components on key risk areas of the financial statements is in accordance with GRAP.

4. **SCOPE OF WORK**

The following are the specific audit areas and scope that will be covered during the review of PMTE Annual Financial Statement (AFS) for 2022/23.

4.1 PMTE ANNUAL FINANCIAL STATEMENT (AFS) FOR 2022/23.

Scope Area	Audit Approach
1. Financial performance and AFS year-end reporting processes.	Review the adequacy of policies, circulars and process followed during the year-end and reporting time.

<p>2. Review of Annual Financial Statements (PMTE) To provide assurance on the adequacy and effectiveness of the processes used and followed during the preparation of the unaudited 2022-23 Annual Financial Statements but not limited to:</p> <p>a. The presentation and disclosure in the financial statements based on the requirements of the accounting framework used.</p> <p>b. The validity, accuracy and completeness of financial information in the DPWI Annual Financial Statements (test of controls).</p>	<p>The following is the proposed approach for Internal Audit in relation to the review of the unaudited 2022/23 AFS:</p> <p>2.1 Review the financial reporting process followed by the auditee to ensure financial statements are free from misstatements;</p> <p>2.2 Review the presentation and disclosure in the unaudited financial statements (AFS) to ensure that they are based on the, (PMTE: Accrual Basis) using Financial Statement Framework requirements and GRAP Checklist: PMTE.</p> <p>2.3 Review the completeness and accuracy of the financial information in the Annual Financial Statements by performing the following:</p> <p>2.3.1 Cast and cross cast final schedules for all the disclosure notes and other items in the AFS;</p>
---	--

Scope Area	Audit Approach
<p>c. Cast and confirm mathematical accuracy of the amounts disclosed in the AFS and related Notes.</p>	<p>2.3.2 Agree all the schedules to the AFS disclosure notes;</p> <p>2.3.3 Agree the balances per Trial Balance to the AFS;</p> <p>2.3.4 Agree the unaudited 2022/23 opening balances to the audited 2022/23 AFS closing balances</p> <p>2.3.5 Review restated balances or figures on the unaudited AFS as well as per the supporting schedules and confirm that appropriate disclosure has been made on the unaudited AFS (i.e. prior period error note);</p> <p>2.3.6 Agree all related notes to the Appropriation, Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets and Cash Flow Statement;</p> <p>2.3.7 Cast and cross cast the entire set of AFS including the disclosure note and annexures to confirm mathematical accuracy.</p> <p>2.4 Identify any unusual items in the related accounts and schedules and follow up with management (e.g.) blank items and rows, negative depreciation, debtor's age analysis with a credit balance etc...</p> <p>2.5 Confirm that the accounting policies disclosed in the 2022/23 unaudited AFS for each component are in compliance with GRAP requirements and that any changes in accounting policies have been appropriately disclosed in the AFS.</p>

3. Substantive testing of the following Account balances, Classes of transactions and disclosures.	
Scope Area	Audit Approach
3.1 Accrued Expenses	<p>Review the accuracy, completeness, and validity of the Accrued Expenses:</p> <p>3.1.1 Perform recalculations of accrued expenses on a sample basis.</p> <p>3.1.2 On a sample basis, agree selected accrued expenses to PoE.</p> <p>3.1.3 Cast the AFS and related schedules.</p> <p>3.1.4 Review the supporting schedules/registers for evidence of review.</p> <p>3.1.5 Review policies.</p> <p>3.1.6 On a sample basis, agree selected payments to POE.</p>
3.2 Provisions	<p>Review the accuracy and completeness of the Provision:</p> <p>3.2.1 On a sample basis, agree selected provisions and payments to PoE.</p> <p>3.2.2 On a sample basis, agree sourced documents to related schedules/ listings.</p> <p>3.2.3 Cast AFS and recalculate related schedules.</p> <p>3.2.4 Review the supporting schedules/registers for evidence of review.</p>
3.3 Leases	<p>Review the accuracy/valuation and classification of the leases:</p> <p>3.3.1 Use CAATS to re-perform recalculations of leases on a sample basis.</p> <p>3.3.2 On a sample basis, agree selected leases to PoE.</p> <p>3.3.3 Cast AFS and related schedules.</p> <p>3.3.4 Review the supporting schedules/registers for evidence of review.</p> <p>Review compliance with GRAP</p>
3.4 Receivables from Exchange transactions	<p>Review the accuracy, completeness, and validity of the Receivables from Exchange Transactions:</p> <p>3.4.1 Perform recalculations of receivables on a sample basis.</p> <p>3.1.2 On a sample basis, agree selected accrued expenses to PoE.</p>

	<p>3.1.3 Cast the AFS and related schedules.</p> <p>3.1.4 Review the supporting schedules/registers for evidence of review.</p> <p>3.1.5 Review policies.</p> <p>3.1.6 On a sample basis, agree selected payments to POE.</p>
Scope Area	Audit Approach
3.4 Contingent Liabilities	<p>Review the accuracy/valuation, classification and completeness of the contingencies:</p> <p>3.4.1 On a sample basis, agree selected contingencies to PoE.</p> <p>3.4.2 Cast AFS and related schedules.</p> <p>3.4.3 Review the supporting schedules/registers for evidence of review.</p> <p>-Obtain legal confirmations.</p>
3.5 Irregular Expenditure	<p>Review the accuracy and completeness of the irregular expenditure:</p> <p>3.5.1 Cast AFS and related schedules.</p> <p>3.5.2 Review the supporting schedules/registers for evidence of review.</p>
3.6 Fruitless and Wasteful Expenditure,	<p>Review the accuracy and completeness of the irregular expenditure:</p> <p>3.6.1 On a sample basis agree the selected fruitless and wasteful expenditure to POE.</p> <p>3.6.2 Cast AFS and related schedules.</p>

Scope Area	Audit Approach
	3.6.3 Review the supporting schedules/registers for evidence of review.
3.7 Compliance: Bank overdraft (Debt Recovery)	3.7.1 Follow up on the status of the up-front payments. 3.7.2 Review policy on recovery of bad debts. 3.7.3 Confirm the process followed to date in terms of non-paying debtors. 3.7.4 Review on a sample basis POE for the steps taken to date in recovering debtors.
3.8 Revenue Items	3.8.1 On a sample basis, agree revenue items to related PoE. 3.8.2 On a sample basis, agree sourced documents to related schedules/ listings. 3.8.3 Cast AFS and recalculate related schedules. 3.8.4 Review the supporting schedules/registers for evidence of review.
3.9 Expenditure Items	3.9.1 On a sample basis, agree revenue items to related PoE. 3.9.2 On a sample basis, agree sourced documents to related schedules/ listings. 3.9.3 Cast AFS and recalculate related schedules

Scope Area	Audit Approach
	3.9.4 Review the supporting schedules/registers for evidence of review.
3.10 Property Plant and Equipment and Investment Property	<p>3.10.1 Review Management Assertions (completeness, existence, rights & obligations, valuation and presentation and disclosure of PPE)</p> <p>3.10.2 Review PPE note, journals and supporting schedules.</p> <p>3.10.3 Review the AUC (assets under construction) schedule and determine whether the Capex/ Opex classification from the prior period is correct.</p> <p>3.10.4 Test any and all restatements and confirm supported by POE</p>
3.11 Compliance: Reapatala (Payment of invoices within 30 days)	<p>3.11.1 Perform CAATS procedures to ensure that invoices are performed within 30 days and follow up on exceptions noted from CAATS in line with the current process.</p> <p>3.11.2 Test a sample of payments for goods and services and trace it back to REAPATALA to verify that regions are using REAPATALA for invoices that should be recorded on REAPATALA.</p> <p>3.11.3 Review on a sample basis that Reapatala is accurate and complete as well as cut-off period.</p> <p>3.11.4 Extracts an exception report on all invoices that are paid after 30 days from receipt and follow with management.</p>

5. DURATION OF THE AUDIT

- **AFS Review:** The audit timelines are estimated to be for a total period of Two weeks (2) weeks, effective from the date of the confirmation.
- No extension of the duration of the audit shall however be valid unless it is reduced to writing and approved by the Accounting Officer of the Department.

6. PROJECT MANAGEMENT

The appointed service provider will liaise with the Director: Internal Audit as the Project Senior Manager as well as the Project Manager (ASD) assigned by DPWI. Further presentation to project Steering Committee by Lead Manager will be expected.

7. REPORTING

The appointed service provider must submit to the Chief Audit Executive of the Department the following, on a weekly basis:

- A report on the service provider's activities per the approved implementation plan;
- A report on all phases completed, together with recommendations made; and
- Weekly project status meeting will be scheduled as well.

8. IMPLEMENTATION PLAN

The service provider is required to submit their detailed Project Implementation Plan indicating the audit approach and methodologies to be used to address the current challenges faced by the department regarding the planned audit. The Implementation Plan should provide detailed activities over the period of the audit, with time-frames, and pricing in line with the scope of work. The Implementation Plan should indicate in detail resource requirement needs of staff members at a full time position of Manager, Supervisor and Senior Auditors. Senior Manager should attend all project steering committee meeting. The Partner and Specialist time is not expected as full time team member.

9. REQUIRED TEAM

The following are resources required for the out-sourced project:

- 1 x Engagement Director/Senior Manager : CA(SA)
- 1 x Audit Manager : CA(SA)
- 1 x Audit Supervisors : Auditing and financial qualifications
- 6 x Auditors : Auditing and financial qualifications

10. AUDIT TIMELINES

The audit will be conducted under strict tight deadlines, preliminary following the agreed upon Implementation Plan that indicates detailed activities over the period of the audit, with time-frames, and pricing in line with the scope.

11. FEE STRUCTURE

A detailed budget of the audit fees has to be provided for the duration of the contract, which will include the following:

- Fee rate of each team member,
- Estimated number of hours to be spent on the assignment by each member (which estimated number of hours will be deemed the maximum number of hours to do the work),
- Value added tax,
- NB: Disbursements will be based on actual costs in line with DPWI Policies and Procedures.

12. CONFIDENTIALITY

Ownership and copyright of all documentation developed during the period of the contract will be vested in the National Department of Public Works and Infrastructure. No information or documentation may be used for any other purpose other than for providing a tender proposal to the Department, and no copies of any document may be made, except with prior written approval from the Department.

In terms of the Protection of Personal Information Act, 4 of 2013 (POPIA) the personal information obtained in this Audit Engagement is processed for the sole purpose of executing the obligation in terms of the mandate received. All the information submitted herein shall be used solely for the aforementioned purpose and /or as mandated by law. Internal audit will not be held liable for any disclosures or the distribution of such personal information where it may result in a contravention of the relevant provisions of POPIA.

13. INTELLECTUAL PROPERTY AND OWNERSHIP OF MATERIAL

All intellectual property rights relating to any work produced by the service provider in relation to the performance of this Contract shall belong to **DPWI** and may not be used for any other purpose by the service provider. The service provider shall give **DPWI** all assistance in protecting such intellectual property rights. All materials in paper, electronic or any recorded format produced by the service provider in the performance of this Contract shall remain the property of **DPWI** and must be handed over to **DPWI** on termination of the contract. Internal Audit uses Teammate as its working paper system which the service provider has to use.

The service provider undertakes not to infringe the intellectual property of third parties. Should any action or claim be instituted against the **DPWI** emanating from an infringement of intellectual property or an alleged infringement of intellectual property, the service providers hereby indemnify the **DPWI** against such claims or actions as well as all costs (including legal costs on an attorney and client scale). The **DPWI** Internal Audit uses Teammate as the software tool, all records are preferably expected in teammate format.

14. ENQUIRIES

All enquiries relating to additional information on this project may be addressed to:

SCM:

Department of Public Works – Xolani Makhonco: 012 406 1760

INTERNAL AUDIT:

Project Manager:

Mr Ashley Setzin
Deputy Director: Internal Audit
Department of Public Works
Tel: (012) 406 1400
Cell: 067 242 5832
Email: Ashley.Setzin@dpw.gov.za

Project Leader:

Mr. Lumphumezo Gayiya
Director: Internal Audit
Department of Public Works
Tel: 012 406 1402
Cell: 081 035 0267
Email: Lumphumezo.gayiya@dpw.gov.za