

**OFFICE OF THE AUDITOR GENERAL**



**THE KINGDOM OF LESOTHO**

**AUDIT REPORT ON THE CONSTRUCTION OF THE NEW ROYAL  
PALACE IN MASERU, LESOTHO**



**MAY 2025**





**OFFICE OF THE AUDITOR - GENERAL  
P.O. BOX 502, MASERU 100  
LESOTHO**

**A/HM/5-55**

**5<sup>th</sup> MAY 2025**

Honourable Neo Matjato Moteane  
Minister of Public Works and Transport  
Ministry of Public Works and Transport  
Moshoeshoe Road  
Maseru 100

Honourable Minister,

**AUDIT REPORT ON THE CONSTRUCTION OF THE NEW ROYAL  
PALACE IN MASERU, LESOTHO**

---

I submit my report on the **Construction of the New Royal Palace in Maseru, Lesotho** in accordance with Section 117 (4) of the Constitution of Lesotho, and Section 26 of the Audit Act, 2016.

A Management letter detailing matters which came to my attention has been issued to Management and has been responded to.

In my opinion the **Construction of the New Royal Palace in Maseru, Lesotho has significant deviations from the project industry laws, principles, guidelines and contracts.**

Please arrange to present the report before each House of Parliament in terms of the above sections of the Constitution and the Act.

Yours sincerely,

**'MATHABO GAIL MAKENETE (MS.) CA(L)  
AUDITOR-GENERAL**

**CC: Senior Private Secretary to His Majesty  
Principal Secretary – Ministry of Public Works and Transport  
Principal Secretary – Ministry of Finance and Dev. Planning  
Chairperson – PAC**

## **TABLE OF CONTENTS**

	<b>PAGE #</b>
<b>CHAPTER ONE</b>	<b>31 - 33</b>
1.0: Introduction	<b>31</b>
1.1: Background to the Audit	<b>31</b>
1.2: Audit Objective	<b>31</b>
1.3: Scope of the Audit	<b>32</b>
<b>CHAPTER TWO</b>	<b>34 -35</b>
2.0: Methodology	<b>34</b>
2.1: Audit Methodology	<b>34</b>
2.2: Document Review	<b>34</b>
2.3: Interviews/Interactions	<b>35</b>
2.4: Physical Inspection	<b>35</b>
<b>CHAPTER THREE</b>	<b>36 - 206</b>
3.0: Findings	<b>36</b>
3.1: Introduction to Findings	<b>36</b>
3.2: PALACE ARCHITECTS (PTY) LTD -1ST PROJECT ARCHITECT	<b>37</b>
3.2.1: Contract Details	<b>37</b>
3.2.2: Scope of Services	<b>37</b>
3.2.3: Document Review Findings	<b>38</b>
3.3: MAKEKA DESIGN LAB (MDL) – 2ND PROJECT ARCHITECT	<b>48</b>
3.3.1: Contract Details	<b>48</b>
3.3.2: Services Scope	<b>49</b>
3.3.3: Documents Review Findings	<b>49</b>
3.4: LETHOLA COST ASSOCIATES -PROJECT QUANTITY SURVEYOR	<b>61</b>
3.4.1: Contract Details	<b>61</b>
3.4.2: Scope of Services	<b>61</b>
3.4.3: Document Review Findings	<b>62</b>
3.5: AFRICON/AURECON/ZUTARI - (CIVIL/STRUCTURAL ENGINEER)	<b>73</b>
3.5.1 Contract Details	<b>74</b>
3.5.2: Scope of Services	<b>74</b>
3.5.3: Document Review Findings	<b>74</b>
3.6: DYELEC (ELECTRICAL/MECHANICAL CONSULTANTS)	<b>87</b>
3.6.1: Contract Details	<b>87</b>
3.6.2: Scope of Work	<b>87</b>
3.6.3: Document Review Findings	<b>88</b>
3.7: WORKS CONTRACT: LSP CONSTRUCTION LTD	<b>99</b>
3.7.1: Works Contract Details	<b>100</b>
3.7.2: Scope of Works	<b>100</b>
3.7.3: Status of the Works	<b>101</b>
3.7.4: Document Review Findings	<b>104</b>
3.7.5: Quality of Works	<b>112</b>
3.7.6: Inspection of Works	<b>121</b>
3.7.7: Quantity Verification	<b>190</b>
3.7.8: Environmental and Social Aspects	<b>191</b>
3.8: MINISTRY OF PUBLIC WORKS AND TRANSPORT/BDS	<b>196</b>

<b>APPENDICES</b>	<b>206 – 230</b>
Appendix 1: Civil Works Audit Methodology	<b>206</b>
Appendix 2: Site Inspection Attendance List	<b>213</b>
Appendix 3: Errors In Verification Of IPC 51	<b>214</b>
Appendix 4: Quantity Verification	<b>215</b>

## **LIST OF TABLES**

<b>TABLE #</b>	<b>TABLE NAME</b>	<b>PAGE #</b>
TABLE 1	List Of Contractors and Consultants Audited	<b>11</b>
TABLE 2	Overpayments of to the Contractor and Consultants	<b>14</b>
TABLE 3	Unsupported Payments to 2 Consultants	<b>16</b>
TABLE 4	Payments Made Without Progress of Works	<b>16</b>
TABLE 5	Payment Of Interest on Delayed Payment	<b>17</b>
TABLE 6	Percentage Increase in Contract Payments	<b>17</b>
TABLE 7	Physical Site Inspection Observations	<b>21</b>
TABLE 8	List Of Contractors and Consultants Audited	<b>33</b>
TABLE 9	Documents Reviewed	<b>34</b>
TABLE 10	Palace Architect's Contract Details	<b>37</b>
TABLE 11	Consultant Fee Calculations as Per SACAP 2008 Guidelines	<b>42</b>
TABLE 12	Irregular Payment of Fees for Stages 1-4	<b>42</b>
TABLE 13	Delays In Payment for The Invoices (Days)	<b>44</b>
TABLE 14	Timelines For Deliverables by the Architect	<b>45</b>
TABLE 15	List Of Verified Invoices for Palace Architects	<b>47</b>
TABLE 16	Makeka Design Lab Contract Details	<b>48</b>
TABLE 17	Professional Fees for Outstanding Works	<b>50</b>
TABLE 18	Contract Estimation of Professional Fees by MDL	<b>54</b>
TABLE 19	Overpayment Of Fees Due to Over Estimation of Fees	<b>55</b>
TABLE 20	Calculation Of Professional Fees Based on Cost of Works in Invoice No.40 And No.41	<b>58</b>
TABLE 21	Professional Fees Based on Cost of Works in Invoice No.40 And No.41 As Per the Contract	<b>58</b>
TABLE 22	Overpayment of M1,589,778.70 in Invoices 40 & 41	<b>59</b>
TABLE 23	Lethola Cost Associate's Contract Details	<b>61</b>
TABLE 24	Compared Bid Prices for Quantity Surveying Services	<b>62</b>
TABLE 25	Disbursements Of Paid to LCA Disbursements Paid to LCS	<b>65</b>
TABLE 26	Revised Payment Proportions	<b>66</b>
TABLE 27	Overpayment Due to Errors in the TOPF	<b>67</b>
TABLE 28	Payments For New Works and Alterations Without Controls	<b>67</b>
TABLE 29	Overpayments from Escalation Clause	<b>68</b>
TABLE 30	Fluctuations In Value of Works Used for Payment	<b>72</b>
TABLE 31	Overpayment From Application of Multiple Procurement Clause	<b>73</b>
TABLE 32	Contract Details	<b>74</b>
TABLE 33	Fees Schedule as Per Contract Agreement	<b>75</b>
TABLE 34	Irregular Payments of Payment of Design Stage Fees	<b>76</b>
TABLE 35	Irregular Payments of Payment of Non-Contractual Staff Between June 2015 and July 2019	<b>78</b>
TABLE 36	Questionable Payment from Invoice 8 To 14	<b>80</b>
TABLE 37	Overpayment in Invoices 4, 5 & 6	<b>81</b>
TABLE 38	Claims Without Evidence of Work Progress	<b>82</b>
TABLE 39	Revision Of Payment Terms in the Contract	<b>84</b>
TABLE 40	Delays In Payments to the Consultant Delays in Payments to the Consultant	<b>85</b>

TABLE 41	Contract Details	<b>87</b>
TABLE 42	Overpayments Due to Changes in Stage Apportionments	<b>92</b>
TABLE 43	Payments For Works Without Progress of Works	<b>93</b>
TABLE 44	Overpayments from Irregular Payments	<b>94</b>
TABLE 45	Fees Schedule as Per Contract Agreement with Dyelec	<b>98</b>
TABLE 46	Irregular Payment of Fees Up to Design and Tender Stages	<b>98</b>
TABLE 47	Works Contract Details	<b>100</b>
TABLE 48	Status of Works Progress as Reported by MRG-LMJ	<b>101</b>
TABLE 49	Status Of Works at the New Royal Palace	<b>102</b>
TABLE 50	Overpayment from Time-Related Obligations	<b>108</b>
TABLE 51	Overpayments from Fixed Obligations	<b>108</b>
TABLE 52	Payments Made During Period of Suspension of Works Payments Made During Period of Suspension of Works	<b>112</b>
TABLE 53	Conformance Of Executed Works to Specifications and Drawings	<b>114</b>
TABLE 54	Observed Defects and Omissions	<b>121</b>
TABLE 55	Summary Of Overpayments from Measurement Errors	<b>190</b>
TABLE 56	Summary Of Overpayments from Unexecuted Works	<b>190</b>
TABLE 57	Observed Inappropriate EHS On Site	<b>193</b>

## **LIST OF ACRONYMS<sup>1</sup>**

<b>Acronym</b>	<b>Meaning</b>
<b>ASAQS</b>	Association of South African Quantity Surveyors
<b>BDS</b>	Building Design Services
<b>BoQs</b>	Bill of Quantities
<b>CoW</b>	Clerk of Works
<b>DMS</b>	Document Management System
<b>EHS</b>	Environment Health and Safety
<b>EMP</b>	Environmental Management Plan
<b>Excl.</b>	Exclusive
<b>FIDIC</b>	International Federation of Consulting Engineers
<b>GCC</b>	General Conditions of Contract
<b>GoL</b>	Government of Lesotho
<b>Incl.</b>	Inclusive
<b>IPC</b>	Interim Payment Certificates
<b>M</b>	Currency symbol for Lesotho Loti
<b>MOA 1 &amp; 2</b>	Memorandum of Agreement 1 and 2
<b>MoPWT</b>	Ministry of Public Works and Transport
<b>MTEC</b>	Ministry of Tourism, Environment and Culture
<b>OAG</b>	Office of the Auditor General
<b>OSHE</b>	Occupational Health, Safety and Environment
<b>PA</b>	Principal Agent
<b>PS</b>	Principal Secretary
<b>QS</b>	Quantity Surveyor
<b>SACAP</b>	South African Council for Architectural Professionals
<b>SACQSP</b>	South African Council for the Quantity Surveyor Profession
<b>SAIA</b>	South African Institute of Architects
<b>SC</b>	Standard Conditions of Contract
<b>SCC</b>	Special Conditions of Contract
<b>SSMBW</b>	Standard System of Measurement of Building Works
<b>TOPF</b>	Tariff of Professional Fees
<b>ToRs</b>	Terms of Reference
<b>VAT</b>	Value Added Tax

---

<sup>1</sup> The detailed descriptions and explanations of terms and abbreviations relevant to this report are listed below. These descriptions and explanations serve to clarify our report and are not intended to be authoritative.



## **EXECUTIVE SUMMARY**

The Office of the Auditor-General (OAG) has a broad mandate to conduct audits of the Government and its agencies, as enshrined in Section 117 of the Constitution of Lesotho. This mandate encompasses the right of access to all relevant documents, in the conduct of the audit. Sub-section 6 indicates that the Auditor-General shall not be subjected to the direction or control of any authority in the exercise of his/her duties. In line with the Audit Act, 2016 the right of access extends beyond documents to include explanations, information, and even access to all Government property.

By conducting these audits, the OAG aims to identify any potential issues or challenges encountered and provide recommendations for improvement, to promote transparency, accountability, and optimal use of resources within the MDAs.

In pursuing this mandate, the Auditor-General currently conducts the following types of audits: -

**Financial audit:** This type of audit involves verifying the accuracy of the information presented in the financial statements.

**Compliance audit:** In this audit, the aim is to verify whether the MDAs adhere to the prescribed laws, regulations, directives, and procedures.

**Performance audit:** This audit focuses on assessing the economic, efficient, and effective utilisation of public resources. Specifically, the focus lies in assessing the management and performance aspects pertaining to an organisation or its operations.

Consideration is drawn to the Audit Act, 2016 section 7, sub-sections (2) (c), (d) and section 26 which stipulates that the Auditor-General shall conduct Compliance and Performance Audits, and these be tabled in Parliament by the Minister responsible.

## **SUBJECT MATTER**

The Government of Lesotho through the Ministry of Public Works and Transport is constructing a new Royal Palace for the Royal Family. The Palace is expected to be a modern building purposefully designed to functionality and aesthetics to house the activities of the Head of State and reflect the culture and pride of Basotho in their monarchy.

On 8 July 2007, the Government of the Kingdom Lesotho invited Architects and Architectural firms in the South African Development Community (SADC) region to enter into a single stage competition for the concept design of the New Royal Palace in Maseru.

Subsequently, in November 2008, the Ministry of Public Works and Transport appointed Palace Architect (Pty) to produce a concept design for

the Palace. Thereafter, on 8th August 2011, the Government of Lesotho entered into a contract with the works contractor, LSP CONSTRUCTION (PTY) LTD, to construct the Royal Palace at a contract price of M 136,770,300.

In a letter dated 12 April 2024 (Ref: W/BDS/FP/1), the Principal Secretary (PS) Ministry of Public Works and Transport, requested the Office of the Auditor-General to undertake an audit on the Construction of the New Royal Palace in Maseru.

In the request, the PS noted that the construction had delayed, due to multiple technical and administrative challenges faced related to payments.

Additionally, my inspection report on the construction of the new Royal Palace in 2014, established that the contract price and payments to consultants had escalated beyond limits permitted by the then procurement regulations.

As a result of the above, and in accordance with Section 7 (2)(c) of the Audit Act (2016), I decided to undertake the audit on the Construction of the New Royal Palace.

The main objective of this audit was to evaluate the existence and effectiveness (**Application and Compliance**) to internal controls (**Laws, regulations, guidelines**) which were needed for the application of sound engineering principles and practices during planning, procurement, and implementation of the New Royal Palace Project.

The specific objectives of the audit included to: -

- i. Establish whether adequate planning and design were carried out in accordance with specifications, standards, codes, regulations, and project management principles.
- ii. Evaluate whether the process of procurement for the works contractor and Consultant Supervisors was carried out in accordance with the relevant procurement laws, regulations and guidelines.
- iii. Evaluate the existence and effectiveness of internal controls in the implementation and supervision of the Construction of the New Royal Palace Project.
- iv. Evaluate whether the implemented works, during the construction were carried out in accordance with specifications, drawings and the quality management plan.

- v. Assess whether the works were implemented with due regard to environmental, health, safety and social safeguards considerations

### **Audit Criteria and Scope**

As detailed in the objectives above, the performance of the various Consultants, Contractor and the Ministry of Public works, and Transport activities were evaluated against the following benchmarks:

- i) Environmental, health, safety and social safeguards
- ii) Construction approved specifications, drawings and the quality management plan.
- iii) Procurement laws, regulations and guidelines.
- iv) Construction specifications, standards, codes, regulations, and project management principles.

The audit focused on activities undertaken during the design and construction of the New Royal Palace project from 2007 to 2024 including:

- a) Procurement of the works contractor and consultants
- b) Contract management
- c) Certification of works executed by the contractor and professional fees for services executed by the main consultants i.e; architectural, civil/structural, quantity surveying and electromechanical
- d) the quality of works executed
- e) The supervision arrangements for the works

The following table shows the consultants and main works contractor considered in the audit.

**Table 1: List of Contractors and Consultants audited**

S/N	Consultant/Contractor	Original Amount with VAT (M)	Total Amount Paid -Auditor's assessment (M)	Paid As per Status Report-MRG 25th Jan 2023 (M)
1	Palace Architects (PTY) Ltd	3,056,925.13	8,243,603.67	7,693,591
2	Makeka Design Lab (MDL)	6,142,986.23	8,382,606.64	10,931,006
3	Makeka ID	1,038,056.50	768,220.92	
4	Lethola Cost Associates (QS)	826,160.47	25,563,479.95	24,978,180
5	Aurecon (Civil/Structural)	1,482,312.00	13,929,581.61	13,794,169
6	Dyelec (EM+PA/COW)	3,508,920	11,415,551.03	10,436,966
7	MRG (PM)	4,001,123	1,777,697	
8	Ntlafalang (Environment)	325,835	1,303,032.85	
9	Works Contractor-LSP Construction (PTY) Ltd	136,770,300	354,983,809.01	332,129,431.85

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), specifically a combination of ISSAI 100, 300 and 4000. I am independent of the audit entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics

for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of Construction of the New Royal Palace Maseru in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with the requirements of IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The Summary below presents the key findings of the audit. However, it must be noted that the `Replies` of the audit entity (Ministry of Public Works and Transport have been detailed in a separate Management letter, fully addressed and incorporated in the findings. The replies show that Management agrees to implement the recommendations. The detailed findings are presented in Chapter 3 of this report.

## **KEY AUDIT FINDINGS**

### **1. Use Of The Republic Of South Africa Laws In Kingdom Of Lesotho Contracts**

I established that all the Architects contracts on the project (Palace Architects and Makeka Design Lab) used contracts governed by the Republic of South Africa Laws. Failure to use Government of Lesotho laws in Lesotho contracts poses challenges in cases of conflicts with the Government seeking recourse in a foreign jurisdiction (South Africa).

#### **Recommendation**

The Chief Accounting Officer should ensure that all contracts for works and services in Lesotho use the Government of Lesotho laws as the guides for the contracts.

### **2. Absence Of Timelines For The Consultant's Contracts**

I reviewed all the 4 main consultants' contracts (Palace Architects, Aurecon, Dyelec and Lethola Cost Associates) and found that they did not stipulate the timelines for delivery of their services to the Client. In the absence of specified timelines in the contract risks delays in delivery of the scope of services.

#### **Recommendation**

The Chief Accounting Officer should ensure that services contracts have defined timelines for delivery of services with penalties for failure to deliver on time.

### **3. Adoption Of South African Payment Guidelines For Professionals In Consultants' Payments**

I found that methodologies for the calculation of professional fees from South Africa based on the construction works values were used to pay the 4 main consultants (Palace Architects, Aurecon, Dyelec and Lethola Cost Associates) on the project, contrary to the agreed fixed lump sum price payment terms in their signed contracts. This resulted in payments beyond the agreed signed fixed lump sum contract prices, without revised changes in their original scope of services to be provided or payment terms.

#### **Recommendation**

The Accounting Officer to ensure that contractually agreed payment terms are adhered to and any additional payments are only accepted with a revision in scope of services.

### **4. Lack Of Copyright And Ownership Of Project Documentation**

I found that the contracts for the Architects (Palace Architects and Makeka Design Lab) required that the copyright and ownership of project documentation remained the Architect's intellectual property, with the Client having only the right to use the documents for the sole purpose of their intended use on the project, contrary to the requirement that copyright should be vested with the Government with its right to use even on other projects where the same Architect is not appointed.

#### **Recommendation**

The Chief Accounting Officer to ensure that copyright and ownership of documentation is vested with the Government entity.

### **5. Commencement Of Consultancy Services Without Signed Contracts/Agreements**

I established that the 5 consultants (Palace Architects, Makeka Design Lab, Aurecon, Dyelec and Lethola Cost Associates) commenced their services without signed contracts. This resulted in unenforceable obligations and undefined deliverables, scope of services, timelines, fees for the services, and personnel requirements.

#### **Recommendation**

The Chief Accounting Officer should ensure that service providers have contracts in place before commencement of services on projects.

## **6. Unfair Comparison Of Bids During Evaluation**

Two different bids were accepted by the Client as responsive after an unfair evaluation process. I observed that for the quantity surveyors, the bidders used different budget amounts for fees calculation in financial comparison while among the Environmental consultants, the second-best bidder was awarded the contract without cause for excluding the first. Use of an unfair evaluation procedures did not produce the best service providers.

### **Recommendation**

The Chief Accounting Officer to always ensure fair evaluation processes to select the best bid.

## **7. Absence Of Design Reports And Technical Specifications Prior To Tender**

I observed that design reports and technical specifications that were required before initiating the tendering process were not submitted by Aurecon (Civil/Structural) and Dyelec (Electro/Mechanical) consultants. Absence of design reports leads to questioning the criterion upon which the different components (structural and electrical) were designed, selected and implemented.

### **Recommendation**

The Chief Accounting Officer to ensure that design reports and technical specifications are provided by consultants before the start of the tendering process.

## **8. Overpayment Of M74,499,721.51 To The Consultant And Contractor**

I reviewed the payments made to consultants and the interim payment certificates to the contractor. I found overpayments of M32,302,028.37 to 5 consultants and M42,197,693.14 to the works contractor as shown in the following table: -

**Table 2: Overpayments to the Contractor and Consultants**

Sn	Consultant/Contractor	Amount Over paid	Cause
1	Palace architects	M3,641,492.66	Retrospective payment for completed design stages
2	Makeka Design Lab	M1,293,906.88	Overestimation of Professional Fees for Stage 5 (Construction supervision)
		M1,589,778.70	Deviation from contract terms for partial services to provision of full services in Invoices 40 and 41
3	Lethola Cost Associates	M78,643.65	Failure to follow the procurement regulations for lump sum fixed contracts

Sn	Consultant/ Contractor	Amount Over paid	Cause
		M2,546,035.93	Adoption of an incorrect band of the Tariff of Professional Fees (TOPF-SACQSP) for calculation of fees
		M13,576,361.91	Incorrect application of excessive variation clause of the TOPF
		M625,122.92	Incorrect application of multiple procurement contracts Clause
4	Africon/Aurecon/Zutari	M2,789,204.20	Retrospective payment for completed design stages
		M186,732.00	Use of a wrong basic fees in invoices 4, 5 and 6
		M2,925,924.01	Payment for non-contractual staff on the project under the time and cost payment terms (After project restart)
5	Dyelec	M2,141,197.79	Retrospective payment for completed design stages
		M695,404.48	Exaggeration for stage 3 apportionment by 10% in invoice 38.
		M212,223.24	Double payments of items, use of an incorrect basic fee.
(Total consultants)		M32,302,028.37	
1	Works Contractor (LSP)	M3,870,488.92	Incorrect computation of the Preliminaries and General items
		M1,336,901.89	Errors arising from previously valued amounts in certification of IPC 51 and not corrected in subsequent IPCs.
		M6,733,783.56	Payments for Unexecuted works and over valuation of quantities
		M30,256,518.77	Payment for maintenance of an irregular performance guarantee
Sub -total (LSP)		M42,197,693.14	
Total		M74,499,721.51	

### Recommendation

The Chief Accounting Officer to recover the overpayments from the Consultants and the works contractor.

### 9. Payment Of M1,633,823.99 To 2 Consultants Without Contractual Basis

Payments were made to two consultants without contractual basis as shown in the following table 3 below. These payments were based on methodologies outside their contracts and calculations of fees from the professional guidelines used. This will lead to unsupported payments.

**Table 3: Unsupported payments to 2 consultants**

Sn	Consultant	payment made	Cause
1	Africon/Aurecon/Zutari	M1,053,772.06	Irregular computation of professional fees without contractual basis
2	Dyelec	M580,051.93	Questionable payment for re-design works by the consultant
<b>Total</b>		<b>M1,633,823.99</b>	

**Recommendation**

The Chief Accounting Officer should ensure that all payments to consultants are based on accepted methodologies agreed upon at the time of contract signature.

**10. Payment And Certification Of M3,729,606.38 Without Evidence Of Work Progress**

I found that M3,729,606.38 had been paid to two consultants and the works contractor without reported progress of work as shown in the table 4 below.

**Table 4: Payments made without progress of works**

Sn	Consultant	Payment (M)	Cause
1.	Dyelec	M1,210,508.45	Payment without any cumulative progress of works under supervision
2	Africon/Aurecon/Zutari	M186,684.30	Certification without Evidence of Reported Progress of Work at Construction Phase.
3	Works Contractor (LSP)	M 2,332,413.63	Payment for Works done while works were reported to have been suspended.
<b>Total</b>		<b>M3,729,606.38</b>	

**Recommendation**

The Chief Accounting Officer should ensure that certification and payments are made for works executed with evidence of progress.

**11. Delayed Payments Resulting In Interest Payment Of M1,039,119.22**

I found that payments to consultants were delayed which resulted in a payment of M1,039,119.22 in interest as shown in the table below.



**Table 5: Payment of interest on delayed payment**

Sn	Consultant	Interest Charge
1.	Palace Architects	M273,872.60
2.	Africon/Aurecon/Zutari	M765,246.62
<b>Total</b>		<b>M1,039,119.22</b>

**Recommendation**

The Chief Accounting Officer to make timely payments to avoid additional payments in the form of interest.

**12. Failure To Modify Contract Price As Required**

I found that contract prices for consultants were revised without following the contractual requirements regarding revision of price. For consultants audited, the increase varied from 36% to 2,994%, while the work value increased by 160% as shown in the table below. These increases beyond acceptable procurement regulations limits, led to failure to complete the original scope of works and services.

**Table 6: Percentage increase in contract payments**

Consultant/Contractor	Original Amount with VAT (M)	Total Amount Paid - Auditor's assessment (M)	% increase
Palace Architects (PTY) Ltd	3,056,925.13	8,243,603.67	170%
Makeka Design Lab (MDL)	6,142,986.23	8,382,606.64	36%
Lethola Cost Associates (QS)	826,160.47	25,563,479.95	2,994%
Aurecon (Civil/Structural)	1,482,312.00	13,929,581.61	840%
Dyelec (EM+PA/COW)	3,508,920	11,415,551.03	225%
Works Contractor-LSP Construction (PTY) Ltd	136,770,300	354,983,809.01	160%

**Recommendation**

The Chief Accounting Officer to always follow the contractual and procurement requirements before paying beyond the signed contractual amounts.

**13. Inadequate Stakeholder Engagement During Project Appraisal Definition And Concept Design Development By Palace Architects**

I noted that the major stakeholders for the project were not consulted adequately at project inception. This resulted in several demolitions of completed works and adjustments to the designs made to accommodate the stakeholders concerns during execution.

**Recommendation**

The Chief Accounting Officer to ensure that adequate stakeholder engagements are undertaken to inform the design process.

**14. Delayed Completion Of Designs By Palace Architects Leading To Delayed Completion Of The Project**

I found that the Architects preliminary programme for the project indicated that the design phase would take 6 months and the construction phase 21 months. The design phase was delayed by over 28 months before the tender process started which affected the original stated project completion timelines.

**Recommendation**

The Chief Accounting Officer to ensure that consultants deliver as per their programme of works to prevent delays.

**15. Appointment Of Makeka Design Lab (MDL), The Project Interior Designer, As The Project Architect Without Following Procurement Due Process Leading To Financial Loss Of M3,683,402.15**

I established that the basis for the waiver requested by Building Design Services (BDS) from the procurement unit for the direct appointment of MDL as the project Architect was in disregard of the procurement regulations for exceptional circumstances. MDL had not been initially evaluated as an architectural firm but as an interior designer and the work was not directly relevant to the added scope. There was also no reduction in costs in hiring MDL, as a competitive bidder would have cost the Government M1,705,182.26, using the SACAP tariff guidelines which was M3,683,402.15 less than the contract amount signed.

**Recommendation**

The Chief Accounting Officer to ensure that emergency procurements follow the procurement regulations.

**16. Absence Of Determination Of Alterations And Modification (Design Changes), Specifications And Drawings By BDS**

I noted that the alterations and modifications, specifications and drawings developed by MDL were not reviewed and approved by BDS prior to their application on the project, yet they resulted in a cost increase from M131,118,831 (VAT Excl.) at the time of engaging MDL to M361,962,373.82 (VAT Excl.) due to scope changes.

Increase in scope by MDL without BDS approval led to schedule delays, increased project cost, confusion in coordinating the different contractors and consultants, and numerous change orders some of which have led to claims.

**Recommendation**

The Chief Accounting officer to ensure that any alterations and modifications are approved by the Client before implementation by the Contractor.

**17. Inadequate Construction Supervision And Absence Of Non-Conformance Instruction/Reports By Africon/Aureon/Zutari (PTY) Ltd**

I considered that defects such as the unsupported brickwork, steel beam in brick work without corrosion protection, inadequate cover to concrete, plastering over brick to concrete junctions with gaps to allow for expansion, inaccurate concrete setting out among others, that were observed by Henry & Fagan (the Structural integrity consultant), ought to have been identified by Aurecon during their supervision, and at least issued through a Non-Conformance Report or a remedy instruction. This was indicative of inadequate construction supervision by the Civil/Structural Consultant.

**Recommendation**

The Chief Accounting Officer to ensure that there is adequate construction supervision by the consultant/s on the project in accordance with the contract.

**18. Adoption of outdated conditions of contract for the civil works contractor**

I established that the conditions of contract used for the civil works were outdated as they lacked several aspects required for good project implementation and management that are envisaged by newer contract models. The Special Conditions of Contract were not linked to the General Conditions of Contract, there was no hierarchy in documentation forming the contract, which did not provide for value engineering in executing variations initiated and price escalation conditions.

**Recommendation**

The Chief Accounting Officer to ensure that all procurements for public civil works use the latest forms of contract conditions.

**19. Absence Of Determination Of Extensions Of Time And Delayed Completion Of The Project**

I noted that the contractor failed to achieve the contract completion date in the contract which was revised in the memorandum of agreement 1 and 2. There were no determinations for the multiple extensions of time granted. Extensions without determination had a risk of not relating the outstanding works to the additional time provided. Additionally, failure to complete the works has led to price escalations, deterioration of completed works and denying their Majesties the ability to live in their facility, 13 years after commencement.

**Recommendation**

The Chief Accounting Officer to ensure that the contractual timelines are adhered to by the contractors and consultants to achieve timely completion of the projects. Furthermore, any time extensions should be determined before they are approved to avoid perpetually running projects.

**20. Quality Of Works By The Contractor**

I reviewed the contract for civil works and found that it had no provision for the contractor to prepare a quality control plan. In addition, I did not find a quality assurance plan from all the consultants, though it was a requirement for the consultancy contracts to prepare technical specifications, which would have informed their quality assurance procedures.

Furthermore, I reviewed the materials test which showed that concrete tests (compressive strength, slump), Road fill (G6/4), Soil tests for the Parking area and Access Road, soil tests on road parking backfill, Soil Density tests on the Tennis Court, and Pile integrity tests were conducted by the Contractor and were on file. There were no test results on file for other materials like aggregates, steel, sand, and cement used in construction. I did not carry out my own independent tests and there were none on file carried out by the consultants for my review.

I undertook conformance checks on completed works and found that 60 out of the 107 items checked (56%) did not conform to the specifications and drawings.

### **Recommendation**

The Chief Accounting Officer to carry out independent checks to ensure that all materials used in permanent works meet the specifications and standards. In addition, the Chief Accounting Officer should ensure that all completed works conform to the drawings and specification requirements.

## **21. Inspection of works for defects and omissions**

I inspected the works from 16<sup>th</sup> to 31<sup>st</sup> October 2024 in the presence of a BDS representative and observed defects that should be addressed by the Contractor (LSP Construction Ltd) to prevent further deterioration of works. The table below presents an of the defects that are comprehensively detailed in section 3.7.6 of this report.

**Table 7: Physical site inspection observations**

<b>SN</b>	<b>Project Component Description</b>	<b>Defects and omissions</b>
1	Main Palace Building	Damaged timber flooring, dampness of walls, ceilings and floors, cracks in walls, unplumbed tiling work, cracking of glass panes on curtain walls and roofscape, voids in plaster work, efflorescence, cracked tiles, damaged ceiling boards, peeling off paint, leakage of drain pipes among others
2	Guest House	Cracking in ceiling, walls and tiles, absence of floor traps on the balcony, water ponding, damaged locks, algae and moss on walls, defective iron monger, defective sockets, damaged timber flooring among others
3	Tennis court (external)	Different levels for court leading to ponding, vegetation overgrowth in the pavers among others
4	Tennis court House (external)	Rotting doors
5	External works	Water seepage through the boundary wall, cracked stone cladding, damaged clearVu fence, cracked wall among others

### **Recommendation**

The Chief Accounting Officer should ensure that all the defects are rectified.

## **22. Absence Of A Document Management System For The Project**

I reviewed the organisation and storage of documentation availed in soft and hard copies and established poor document organisation in project aspects such that design and procurement correspondence, contractual matters, and supervision, were grouped together in single files without separation. This made it difficult to trace documents stored in such a manner and in an old-fashioned way using paper files.

This indicated an absence of an electronic document management system for storage, managing and tracking of documents (EDMS).

**Recommendation**

The Chief Accounting Officer to ensure that all projects have fully functional document management system (DMS) that is properly maintained.

**23. Failure By BDS To Provide Adequate Project Management Services Through A Client's Representative**

I found out that from the inception of the construction works in August 2011 there was no evidence of formal appointment of a project manager until MRG-LMJ JV was appointed in 2022, despite the requirement for the Client to provide one for provision of information when required and authorised to make decisions. This failure led to irregular and overpayments to consultants, absence of design documentations, non-approval of design alterations and modifications, and delayed issuance of construction drawings, as there was no authorised representative to take responsibility.

**Recommendation**

The Chief Accounting Officer to ensure that adequate project management by BDS is in place before implementation of any works project. The project management team may be composed of an in-house team or outsourced to consultants.

**24. Failure By BDS To Freeze The Architectural Designs Leading To Cost Escalations**

I established that failure by BDS to freeze the architectural designs by adequately defining the project specifications and functionality requirements, resulted in several changes being made by different architects. This resulted in cost increase from M131,118,831.00 to M361,962,373.82 (over 200% increment)

**Recommendation**

The Chief Accounting Officer to ensure that any modifications and alterations do not significantly affect the contract price.

Below are the key findings per contract and those related to BDS.

**Table 7: Summary of findings per contractor/consultant**

<b>S/N</b>	<b>Contract</b>	<b>General Findings</b>
<b>1.</b>	<b><u>Palace Architects</u></b>	<ul style="list-style-type: none"> <li>• Lack of Copyright and Ownership of Project Documentation by the Government of Lesotho</li> <li>• Commencement of Services without a signed Contract/ Agreement</li> <li>• Absence of timelines in the contract for the Architect's services</li> <li>• Use of Republic of South Africa laws in Kingdom of Lesotho contract with Palace Architects (PTY) Ltd</li> <li>• Inadequate Stakeholder Engagement during Project Appraisal, Definition and Concept Design Development</li> <li>• Overpayment of M3,641,492.66 in fees for Stages 1 to 4</li> <li>• Delayed Payment to the consultant leading to M273,872.60 in interest charges</li> <li>• Delayed Completion of Designs Leading to Delayed Implementation and Completion of the Project</li> <li>• Unverified Payment of M998,845.96 to the Consultant</li> </ul>
<b>2.</b>	<b><u>Makeka Design Lab</u></b>	<ul style="list-style-type: none"> <li>• Appointment of MDL (The Project Interior Designer) as Project Architect without following Procurement Due Process Leading to Financial Loss of M3,683,402.15</li> <li>• Commencement of Services without Contract/ Agreement</li> <li>• Lack of Copyright and Ownership of Project Documentation by GoL</li> <li>• Use of Republic of South Africa laws in Kingdom of Lesotho contract with MDL</li> <li>• Lack of timelines for the services in the Contract Overpayment amounting to M1,293,906.88 due to overestimation of Professional Fees Overpayment of M1,589,778.70 due to deviation from the contract payment terms in Invoices No. 40 and No. 41</li> <li>• Absence of Determination of alterations and modifications (Design Changes), Specifications and Drawings by BDS</li> </ul>
<b>3.</b>	<b><u>Lethola Cost Associates</u></b>	<ul style="list-style-type: none"> <li>• Unfair financial comparison of bids during evaluation of bids</li> <li>• Omissions in the consultant's contract regarding commencement, completion and expiration of contract</li> <li>• Failure to modify the contract price as required by the contract</li> <li>• IV. Overpayment on disbursements of M78,643.65 due to failure to follow the procurement regulations</li> <li>• Deviation from the contract payment terms</li> <li>• Overpayment of M2,546,035.93 due to adoption of incorrect band of the Tariff of</li> </ul>

S/N	Contract	General Findings
		<p>Professional Fees (TOPF-SACQSP) for calculation of fees</p> <ul style="list-style-type: none"> <li>• Lack of internal controls in verifying payments to the QS</li> <li>• Overpayment of M13,576,361.91 (Incl. VAT) due to irregular application of excessive variation clause of the TOPF</li> <li>• Improper form of the professional indemnity</li> <li>• Irregular payment of invoice 14 of M542,930.68 twice</li> <li>• Failure to include the methodology for preliminaries in the Contract BoQs</li> <li>• Absence of evidence of the Deployed Staff during Design and Supervision of the Contract</li> <li>• Inconsistencies in Value for Works used to calculate the Basic Fees for Payment</li> <li>• Payment without supporting documentation</li> <li>• Overpayment of M625,122.92 from wrong application of multiple procurement contracts Clause.</li> </ul>
4.	<b><u>Africon/Aurecon/Zutari</u></b>	<ul style="list-style-type: none"> <li>• Lack of timelines for the Civil/Structural services in the Contract</li> <li>• Overpayment of M2,789,204.20 (Incl. VAT) in design fees</li> <li>• Overpayment of M2,925,924.01 towards non-contractual staff on the project (after project restart in June 2015)</li> <li>• Payment of M1,053,772.06 without basis due to non-contractual Computation of Professionals Fees</li> <li>• Overpayment of M186,732 in invoices 4, 5 and 6</li> <li>• Absence of a Design Report and Technical Specifications for the Works</li> <li>• Certification of M186,684.30 without Evidence of Reported Progress of Work at Construction Phase.</li> <li>• Failure by BDS to issue approval for the Variation in Scope of Services and Contract Price</li> <li>• Revision of the payment terms without justification</li> <li>• Delayed payment to the Consultant resulting into M765,246.62 in interest charges</li> <li>• Inadequate Construction Supervision and Absence of Non-Conformance Instructions/Reports.</li> </ul>
5.	<b><u>Dyelec</u></b>	<ul style="list-style-type: none"> <li>• Incomplete contract document</li> <li>• Adoption of South African based payment guidelines in Government of Lesotho contract</li> <li>• Omissions and deficiencies in the contract clauses/provisions</li> <li>• Lack of timelines for the services in the Contract</li> </ul>



S/N	Contract	General Findings
		<ul style="list-style-type: none"> <li>• Absence of a design report prior to tender</li> <li>• Variation of contract amount and time without following due procedure</li> <li>• Overpayment of M695,404.48 due to changes in stage apportionments to the consultant</li> <li>• Payment of M580,051.93 (Excl. VAT) for re-design works by the consultant without contractual basis</li> <li>• Payment of M1,210,508.45 without any cumulative progress of works under supervision</li> <li>• Overpayment of M212,223.24 to the Consultant</li> <li>• Undated second Memorandum of Agreement (MoA) for Provision of principal agency (PA) and Clerk of Works (CoW) services and increase in contract amount</li> <li>• Absence of a professional indemnity for COW/PA services</li> <li>• Payment of M5,491,426.46 for PA and CoW services</li> <li>• Absence of a sub-consultant contract for PA/CoW services</li> <li>• Erroneous Basis of projected M&amp;E fees for the new additional services – Palace resulting in potential overpayment of M2,135,867.60 (Excl. VAT)</li> <li>• Overpayment of M2,141,197.79 up to design and tender stages.</li> </ul>
6.	<b><u>Works Contract: LSP Construction Ltd</u></b>	<ul style="list-style-type: none"> <li>• Adoption of outdated conditions of contract for the works</li> <li>• Irregular payment of M3,170,476.1 on the New chapel for Substructure Piling Works</li> <li>• Absence of determination of Extensions of Time and Delayed completion of the project</li> <li>• Overpayment of M3,870,488.92 (Excl. VAT) due to incorrect computation of the Preliminaries and General items</li> <li>• Absence of evidence of measurement of works in the payment certificates</li> <li>• Amendment of the contract without a schedule of works execution</li> <li>• Overpayment of M30,256,518.77 (Excl. VAT) for maintenance of an irregular Performance Guarantee after June 2015</li> <li>• Overpayment of M1,336,901.89 due to errors in certification of IPC 51</li> <li>• Payment of M2,332,413.63 for Work done while works were suspended.</li> <li>• Absence of Quality Control and Assurance Plans</li> <li>• Absence of some material test results</li> <li>• Lack of Conformance of some Site Works to Specifications as per BoQs and drawings</li> <li>• Defects and Omissions on inspected works</li> </ul>

S/N	Contract	General Findings
		<ul style="list-style-type: none"> <li>• Overpayments of M6,733,783.56 from Quantity Verification</li> <li>• Absence of the requirement for Environmental, social, health and social reporting</li> <li>• Irregular Selection of Ntlafalang Consultants as environmental consultants</li> <li>• Absence of evidence of revised Environmental Management Plan (EMP)</li> </ul>
7.	<b><u>Ministry of Public Works and Transport/ BDS</u></b>	<ul style="list-style-type: none"> <li>• Non-Availability of Procurement Records</li> <li>• Annual Procurement Planning</li> <li>• Non-compliance with procurement procedures</li> <li>• Increase in contract price by over 201%</li> <li>• Absence of a Document Management System (DMS) for the project</li> <li>• Improper Technical Evaluation of the Project Manager</li> <li>• Failure by BDS to Provide Adequate Project Management services through an authorised Client's representative</li> <li>• Unjustified Design Alterations, Modifications and Change in Specifications by MDL Leading to Substantial Project Cost Escalations (more than Triple the Original Cost Palace construction works)</li> <li>• Failure by BDS to freeze the Architectural Designs has cost Government over M200,000,000</li> <li>• Absence of evidence of termination of MDL contract for Architectural services.</li> </ul>





**OFFICE OF THE AUDITOR - GENERAL  
P.O. BOX 502, MASERU 100  
LESOTHO**

**AUDIT CERTIFICATE  
ON THE CONSTRUCTION OF THE NEW ROYAL PALACE IN MASERU,  
LESOTHO**

I have audited the Construction of the New Royal Palace Project. In my opinion, because of the key findings highlighted in the report and the points drawn to the attention of the Minister of Public Works and Transport in the Basis of Opinion paragraphs, the Construction Process of the New Royal Palace Project has significant deviations from the requirements of the relevant project industry laws, principles, guidelines and contracts. The Main Building structure should be subjected to structural integrity tests for assurance and where necessary, corrective measures be taken to remedy the affected components.

Further, the value intended to be derived from the allocated funds for the purpose of this construction is at risk, due to actual delays in project completion and if remedial actions as entailed in the report are not implemented.

**BASIS OF OPINION**

Based on my assessment, I noted that the following can be drawn to the attention of the Minister of Public Works and Transport and the stakeholders with regard to the construction of the New Royal Palace: -

- a) I obtained some traces of the designs though design outputs such as design reports, calculations, drawings, specifications were largely missing. With regards to planning of the project, **I noted inadequate stakeholder appraisal and definition of concept design** leading to several reworks during execution.
- b) **There were significant deviations from compliance with procurement regulations.**
- c) The overpayment of M74,449,721.51 indicated **a lack of adequate contract management** as reflected through deviation from contract terms, incorrect application of contract clauses, retrospective payments, payment for unexecuted works and over-valuation of quantities among others.
- d) I inspected the completed works and noted no visible structural cracks on the concrete components. However, **the timber**

**installations were rotten, there was significant damage on the glass components, major efflorescence in the walls.** I therefore recommend structural integrity tests to be conducted for assurance and corrective measures adopted to remedy the affected components.

### **Other Critical Consideration**

Subsequent to the completion of my audit procedures and drafting of final report phase as documented and agreed in the signed Construction of the New Royal Palace Audit Strategy, in and around the 8<sup>th</sup> April 2025 My Office was approached by the former Works Architect/Principal Agent on the Project, who was abruptly terminated. The consultant claimed to possess critical and original project information and had Keys to the new building. The former consultant was then approached by My Office under the authority of section 23 (1) of the Audit Act, 2016 and information both electronic and physical, purported to be Original Project`s documentation, some of which was reported missing during the audit and the Keys were secured by My Office in collaboration with the Offices of Directorate on Corruption and Economic Offences (DCEO) and the Police.

### **Conclusion**

I advise that going forward, the Principal Secretary Ministry of Public Works and Transport should ensure that stage 2 of the construction is fully concluded and wrapped up with all overpayments recovered. Thereafter, kick-off stage 3 of the construction on a clean slate with proper observance of the procurement guidelines and the contract engagement procedures and remedy the adversely affected components in alignment to the structural Integrity test results.

Furthermore, follow-up Audit should be sponsored to enable My Office to examine the accuracy of the additional information and its relevance to the conclusions achieved with the information provided by the audit Client (Ministry of Public Works and Transport).



-----  
**'MATHABO GAIL MAKENETE (MS.) CA(L)**  
**AUDITOR-GENERAL**

**5<sup>th</sup> MAY 2025**



## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background to the Audit**

The Government of Lesotho through the Ministry of Public Works and Transport is constructing a new Royal Palace for the Royal Family. The Palace is expected to be a modern building purposefully designed to functionality and aesthetics to house the activities of the Head of State and reflect the culture and pride of Basotho in their monarchy. On 8 July 2007, the Government of the Kingdom Lesotho invited Architects and Architectural firms in the South African Development Community (SADC) region to enter into a single stage competition for the concept design of the New Royal Palace in Maseru.

Subsequently, in November 2008, the Ministry of Public Works and Transport appointed Palace Architect (Pty) to produce a concept design for the palace. Thereafter, on 8th August 2011, the Government of Lesotho entered a contract with the works contractor, LSP CONSTRUCTION (PTY) LTD, to construct the Royal Palace at a contract price of M 136,770,300.

In a letter dated 12 April 2024 (Ref: W/BDS/FP/1), the Principal Secretary (PS) Ministry of Public Works and Transport, requested the Office of the Auditor General to undertake an audit on the construction of the New Royal Palace in Maseru.

In the request, the PS noted that the construction had delayed due to technical and administrative challenges faced, related to payments.

Additionally, the Auditor General's inspection report on the construction of the new royal palace in 2014 established that the contract price and payments to consultants had escalated beyond limits permitted by the then procurement regulations.

As a result of the above, and in accordance with Section 7 (2)(g) of the Audit Act (2016), the Auditor General decided to undertake a technical/engineering audit on the construction of the New Royal Palace.

#### **1.2 Audit Objective**

The main objective of this audit was to evaluate the existence and effectiveness of internal controls, which were needed for the application of sound engineering principles and practices during

planning, procurement, and implementation of the New Royal Palace Project.

The specific objectives of the audit included to: -

- i. Establish whether adequate planning and design were carried out in accordance with specifications, standards, codes, regulations and project management principles.
- ii. Evaluate whether the process of procurement for the works contractor and Consultant Supervisors was carried out in accordance with the relevant procurement regulations and guidelines.
- iii. Evaluate the existence and effectiveness of internal controls in implementation and supervision of the Construction of the New Royal Palace Project.
- iv. Evaluate whether the implemented works, during the construction were carried out in accordance with specifications, drawings and the quality management plan.
- v. Assess whether the works were implemented with due regard to environmental, health, safety and social safeguards considerations.

### **1.3 Scope of the Audit**

The audit focused on activities undertaken during the design and construction of the New Royal Palace project from 2007 to 2024 including: -

- Procurement of the works contractor and consultants
- Contract management
- Certification of works executed by the contractor and professional fees for services executed by the main consultants i.e; architectural, civil/structural, quantity surveying and electromechanical
- The quality of works executed
- The supervision arrangements for the works.

The following table shows the consultants and main works contractor considered in the audit.



**Table 8: List of Contractors and Consultants audited**

<b>Consultant/Contractor</b>	<b>Original Amount with VAT (M)</b>	<b>Total Amount Paid -Auditor's assessment (M)</b>	<b>Paid As per Status Report-MRG 25th Jan 2023 (M)</b>
Palace Architects (PTY) Ltd	3,056,925.13	8,243,603.67	7,693,591
Makeka Design Lab (MDL)	6,142,986.23	8,382,606.64	10,931,006
Makeka ID	1,038,056.50	768,220.92	
Lethola Cost Associates (QS)	826,160.47	25,563,479.95	24,978,180
Aurecon (Civil/Structural)	1,482,312.00	13,929,581.61	13,794,169
Dyelec (EM+PA/COW)	3,508,920	11,415,551.03	10,436,966
MRG (PM)	4,001,123	1,777,697	
Ntlafalang (Environment)	325,835	1,303,032.85	
Works Contractor-LSP Construction (PTY) Ltd	136,770,300	354,983,809.01	332,129,431.85

## **CHAPTER TWO**

### **2.0 METHODOLOGY**

#### **2.1 Audit Methodology**

The audit was conducted in accordance with ISSAI 100, 300 and ISSAI 4000. During the audit, the team designed and performed procedures that were considered appropriate under the circumstances to enable the auditors to gather evidence to support the audit findings and draw reasonable conclusions where necessary. An audit methodology for the civil works was agreed upon with the different stakeholders which also informed the basis for the assignment as shown in **Appendix 1**.

The audit followed evidence-gathering techniques and procedures;

#### **2.2 Document Review**

The team reviewed documents to obtain a better understanding of the project. The documents reviewed included but were not limited to the following;

**Table 9: Documents reviewed**

<b>S.no</b>	<b>Document reviewed</b>	<b>Purpose of reviewing the document</b>
1	Concept Design Terms of References (ToRs)	Establish the requirements set out for the architectural services
2	Procurement regulations and guidelines, procurement files	To establish whether procurement of the works contractor and consultants followed the relevant procurement guidelines  Establish the requirements set out in the Requests for proposals for the consultants
3	Drawings and Bills of Quantities	Determine whether the relevant procedures during the preparation of the designs were undertaken  Determine the scope of the works  Ascertain whether the drawings and BoQs adopted catered for all the requirements as per the design  Establish specifications for different work items as per the drawings and specification
4	Contract agreements	Establish the conditions for both works and supervision contracts
5	Payment Certificates, vouchers and Fee notes	Ascertain whether amounts paid were consistent with the conditions of payment  Ascertain the amounts paid to the contractor and various consultants

S.no	Document reviewed	Purpose of reviewing the document
		Ascertain variations certified
6	Contract Management documentation such as; meeting minutes, correspondences, progress reports, material test results, instructions, deed of surety, work programs etc	To evaluate the existence and effectiveness of internal controls during contract management
7	South African Standard System of Measurement for Building Works (SSMBW), Tariff guidelines of professional fees for consultants (TOPF), Joint Building contracts committee (JBCC)	Understand the system of measurement of building works and professional fees and to evaluate their application in the project

Other documents reviewed are indicated under their respective sections.

### **2.3 Interviews/Interactions**

Interviews were conducted with available key stakeholders such as representatives of;

- i. Lethola Cost Associates (the project Quantity Surveyor),
- ii. LSP (the works contractor representative),
- iii. Architect, Quantity Surveyor, Structural Engineer from the Ministry of Public works and Transport,
- iv. Representatives of the Procurement Unit,
- v. Representatives from the finance department at the Royal Palace

These were used to seek clarification on the issues identified through document review and site inspections.

### **2.4 Physical Inspection**

The audit team visited the New Royal Palace site and carried out the following during the physical inspection;

- i. Physical measurement of executed works
- ii. Verification of Health, Safety and Environmental (HSE) measures in place
- iii. Physical assessment of works to check for conformance and defects

## **CHAPTER THREE**

### **3.0 FINDINGS**

#### **3.1 Introduction to Findings**

This section presents the detailed findings made relating to audit of the design and construction of the new royal palace in Maseru. The project report has been grouped based on the following sub-headings;

- 3.2 Project Architect (1<sup>st</sup>): Palace Architects (PTY) Ltd (Architect).
- 3.3 Project Architect (2<sup>nd</sup>): Makeka design lab (Architect).
- 3.4 Project Quantity Surveyor: Lethola Cost Associates (LCA)
- 3.5 Project Civil/Structural Engineer: Africon/Aurecon/Zutari
- 3.6 Project Electrical/Mechanical engineer: Dyelec
- 3.7 Works contractor: (LSP construction PTY Ltd)
- 3.8 Ministry of Public Works & Transport

The detailed findings are presented following.

### **3.2 PALACE ARCHITECTS (PTY) LTD -1<sup>ST</sup> PROJECT ARCHITECT**

This section presents the findings made relating to the Palace Architect's contract on the design and construction of the New Royal Palace. The project has been assessed based on the following sub-headings;

The Project Architect Services were terminated on 19 March 2014.

#### **a) Contract Details:**

This gives a summary of the contract data for the Architect's contract.

#### **b) Scope of Works:**

This details the extent of services.

#### **c) Document Review:**

This presents findings from review of the documentation availed.

#### **3.2.1 Contract Details**

**Table 10: Palace Architect's Contract details**

<b>Funder</b>	<b>Government of Lesotho</b>
Client	His Majesty's Office
Client's Representative	Ministry of Public Works and Transport
Implementing Department	Building Design Services
Project Location	Maseru - Lesotho
Project Architect/Principal Agent	PALACE ARCHITECTS (PTY) Ltd
Draft Contract Signature Date	06 <sup>th</sup> August 2008
Procurement Number	
Draft Contract Sum	M3,056,925.13 (Incl. VAT)
Revised Fees Sum	M7,536,836.82 (Excl. VAT)
Amount Paid	M8,243,603.67 (Incl. VAT)

#### **3.2.2 Scope of Services**

The Architectural standard services for the design and supervision of the New Royal Palace in Maseru included the Main Palace Building, guest house, tennis court, boundary wall, gate houses and external works.

### **3.2.3 Document Review Findings**

The documents reviewed included the draft contract, invoices (18) and financial statements (3), progress meeting reports (1-4; 10-34), progress status reports (2), site meeting minutes, 2008 Tariff of professional fees guidelines by South African Council of Architectural Profession (SACAP), Site handover certificate of 3 August 2011, correspondences between the Architect and the Client's representative. The following findings were established

#### **I. Lack of Copyright and Ownership of Project Documentation by the Government of Lesotho**

The Standard terms and conditions of contract for supply of services (SC 27) in the Government of Lesotho (GoL) Procurement Manual of 2007 provided for all drawings, specifications, software, designs, and other data produced or used in connection with the contract to become/remain the Authority's property and be kept in an agreed format so that they can be used by the Authority.

Clause 4.8 in the contract agreement (in draft) between the GoL and Palace Architects states that the copyright and ownership of the project documentation prepared in the assignment would remain the intellectual property of the Architect with the Client having only the right to use for the purpose of the project. This is contrary to the requirement that the copyrights should be vested with the Government for its right to use even on other projects where the same Architect is not appointed.

Audit noted that the other consultants' contracts such as Quantity Surveyor, Electro-Mechanical engineer and Civil/Structural Engineer did not retain ownership of their documentation but gave their rights to the Ministry of Public Works & Transport/Client.

#### **Cause**

This was because of the adoption and use of Client/Architect agreement meant for the private sector that gives the ownership and copyright to the Architect instead of the Government of Lesotho standard conditions of contract.

Lack of ownership and copyright for the project documentation by the GoL may lead to challenges during operations & maintenance, security arrangements, availability for reuse on other sites, and audit purposes.

### **Recommendation**

The Chief Accounting Officer should ensure that Government of Lesotho Standard Conditions of Contract are adopted for all public funded projects.

### **II. Commencement of Services without a signed Contract/Agreement**

Clause 30 (1) of the Procurement Regulations of 2007 require the Unit to invite the tenderer that satisfies the requirements specified and submitted the most favorable bid to enter into a contract. Furthermore, Clause 30 (3) required that the two parties sign a contract within 15 working days following the notification of the invitation to contract and within the tender validity period.

From review of the Client-Architect Agreement that was presented and referred to as the "Contract document", audit noted that it was still a draft copy and without the signatures of both contracting parties. There was also no documentation availed showing a fully signed contract between the parties.

Executing of services without an agreement fully signed by all parties exposed Government to un-enforceable obligations with the Consultant especially regarding accountability for non-performance and delays.

### **Recommendation**

The Chief Accounting Officer should ensure that contracts executed are signed by all the parties before implementation.

### **III. Absence of timelines in the contract for the Architect's services**

The Procurement Manual of 2007 defines a contract period as the period of time laid down in a contract during which the goods, works or services specified in the contract are to be provided or completed. In addition, best practice in Construction Conditions of Contract (such as FIDIC conditions of contract Clause 4.2.1) requires that the Consultant commences the performance of the services after the commencement date and completes the whole services within the time for completion (time for Completion means time for completing the services calculated from commencement date).

However, the draft contract for Client-Architect Agreement of 2008 showed that the draft contract did not state the time for completion of the Architect's services implying that the contract was open-ended for as long as the prime contract was valid/active.

In absence of defined timelines, the audit team could not assess whether the consultant delivered the required outputs on time.

Lack of defined timelines has a risk of delaying delivery of the scope and consequently completion of the project. Furthermore, absence of defined timelines compromises accountability of either party.

### **Recommendation**

The Chief Accounting Officer should ensure that signed contracts have defined timelines for provision of services to ensure timely completion and penalties in case the agreed timelines are not achieved.

### **IV. Use of Republic of South Africa laws in Kingdom of Lesotho contract with Palace Architects (PTY) Ltd**

Clause 4 (1) of the Government Procurement Regulations (2007) provides that all procurement units should apply Government Standard Conditions (SC) of Contract during procurement of any nature.

A review of Clause 11.5 of the draft contract for the Client-Architect Agreement of 2008 indicated that the only applicable law for the contract was the law of the Republic of South Africa. Furthermore, the draft agreement provided that the calculation of the Architect's professional fees would be based on tariff guidelines developed by the South African Council of Architectural Profession (SACAP) which is governed by the Architectural Professions Act No. 44 of 2000, and National Building Regulations and Building Standards Act No. 103 of 1977 of the Republic of South Africa.

Adoption of foreign country laws in implementing Government of Lesotho contracts has challenges when disputes arise between the consultants and the Client with the Government having recourse to courts of another government or jurisdiction which is likely to be more difficult and less favorable for the Government of Lesotho.

### **Recommendation**

The Chief Accounting Officer should ensure that contracts signed with all parties apply and are enforceable by the GoL laws.



## **V. Inadequate Stakeholder Engagement during Project Appraisal, Definition and Concept Design Development**

Section 2.1.2 and 2.2.2 of the Draft Client-Architect Agreement required the Architect in provision of the standard services to advise the Client on:

- *the procedures to meet his requirements (project appraisal and definition of the project)*
- *the technical and functional characteristics of the project as proposed (design concept)*

Best practices in construction project management principles under project initiation phase (PMBOK 7<sup>th</sup> edition, Section 3.3) require effective engagements with stakeholders.

A review of correspondences established that one of the key stakeholders of this project, Their Majesties, were not adequately consulted at project inception. This is evident as several demolitions of completed works and adjustments were made to the designs to accommodate their concerns during execution notably the boundary wall, space provisions and planning relationships.

Furthermore, critical security requirements/features such as security requirements, level of control and type of materials were requested for by the then Architect on 8th March 2011 by e-mail (2 years after commencement of designs) at tender documentation stage. The incorporation of security in design vis-à-vis the surrounding terrain was not evident in the project documentation at initiation. This is considered as poor project delivery of obligations by Architect and poor project management by BDS.

This was as a result of inadequate project planning and coordination with relevant stakeholders. As a result of this inadequate stakeholder engagement by design teams and the implementing department, several scope changes arose to accommodate omissions at inception increasing the project cost to more than 3 times the original contract cost among others.

### **Recommendation**

The Chief Accounting Officer should ensure that adequate stakeholder engagement is undertaken to inform the design process.

## **VI. Overpayment of M3,641,492.66 in fees for Stages 1 to 4**

Clause 5.0 of the draft contract agreement between the Government of Lesotho (GoL) and Palace Architects (PTY) Ltd of 2008 stated that the costs of the project upon which the professional fees were based was estimated at M39,947,412.3 by the Architect. Furthermore, Clause 5.1 of the contract provided that the fees are calculated based on the 2008 SACAP Tariff of fees guidelines as shown in the table below.

**Table 11: Consultant Fee Calculations as per SACAP 2008 guidelines**

Project Cost (M)	39,947,412.3	
Base fee (M)	184,800	
6.25% of Project Cost (M)	2,486,713.27	
Total fees	2,681,513.25	
Stages for standard services	<b>Proportion of fees</b>	<b>Fees (M)</b>
Stage 1 -Appraisal and definition of the project	5%	134,075.66
Stage 2 -Design concept	15%	402,226.99
Stage 3 -Design development	15%	402,226.99
Stage 4 -Technical documentation	40%	1,072,605.31
Stage 5 -Contract administration and inspection	25%	670,378.32
<b>Professional fee amount</b>		<b>2,681,513.27</b>

A review of invoice 64-a dated 30th November 2010 and payment voucher 19PV1001711 dated 30th June 2011 indicated that stages 1 to 4 had been fully completed with all payment amounting to LSL2,011,134.9 (Excl. VAT) made. However, invoice No.66-a dated 30th December 2011 with a total sum of M5,652,627.62 was claimed by the Consultant for the same completed and earlier paid Stages 1 to 4 in invoice 64-a resulting into an extra payment of M3,641,492.66 as shown in the table below.

**Table 12: Irregular payment of fees for stages 1-4**

Invoice No	Stage	% Fees Proportion as Per SACAP	% Claimed as of June 2011	Fees Claimed in Inv. 64-a of Nov 2010 (M)	Fees Claimed in Inv. 66-a of Dec 2011 (M)
59	1	5	100	134,075.66	376,841.84
61-a	2	15	100	402,226.99	1,130,525.52
63-a	3	15	100	402,226.99	1,130,525.52
64-a	4	40	100	1,072,605.31	3,014,734.73
None	5	25	0	-	-
Total				2,011,134.95	5,652,627.61
<b>Overpayment</b>				<b>3,641,492.66</b>	

This resulted in an overpayment of M3,641,492.66.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M3,641,492.66 is recovered from the Consultant.

#### **1. Delayed Payment to the consultant leading to M273,872.60 in interest charges**

Clause 10.1 of the draft contract provided that the Architect was required to provide interim accounts on a monthly basis which were payable within 30 days of presentation and delays in payment by Client would attract 2% interest per month or part thereof for each month that payment was outstanding.

A review of the Consultant's invoices established that there were delays in paying the consultant ranging from 2 to 1,519 days as shown in the table below. Further review of correspondences showed that an interest charge of M273,872.60 was presented in Invoice No.75 and approved for payment.

**Table 13: Delays in payment for the invoices (days)**

<b>Invoice No</b>	<b>Date Prepared</b>	<b>Date Approved</b>	<b>Amount Certified Excl. VAT (M)</b>	<b>Voucher No</b>	<b>Date Prepared</b>	<b>Date Paid</b>	<b>Amount Paid Excl. Source Tax (M)</b>	<b>Days with Client</b>	<b>Delayed (Days)</b>
59	24/07/2008	02/10/2008	134.075,66	Not provided	Unknown	30/12/2008	120.668,09	159	129
60	10/11/2008	03/03/2009	71.926,80	Not provided	Unknown	27/03/2009	64.734,12	137	107
61-a	21/04/2009	01/09/2009	402.226,98	Not provided	Unknown	02/11/2009	362.004,28	195	165
61-b	14/04/2009	01/09/2009	15.863,00	19PV1002723	11/07/2013	11/07/2013	15.863,00	1549	1519
62	29/06/2009	08/07/2009	71.926,80	Not provided	Unknown	02/11/2009	64.734,12	126	96
63-a	22/02/2010	03/03/2010	402.226,98	Not provided	Unknown	07/04/2010	362.004,28	44	14
63-b	22/02/2010	03/03/2010	4.440,45	Not provided	Unknown	07/04/2010	4.440,45	44	14
64-a	30/11/2010	22/02/2011	1.072.605,28	Not provided	Unknown	30/06/2011	965.344,81	212	182
65-a		02/09/2011	670.378,30	19PV1001836	14/09/2011	Not provided	Not provided	NA	NA
66-a	30/12/2011	17/02/2012	3.183.455,93	19PV1002089	Unknown	02/03/2012	2.578.599,31	63	33
67-a	30/12/2011	29/05/2012	277.544,02	19PV1002208	11/06/2012	11/06/2012	249.789,62	164	134
68-a	15/03/2012	29/05/2012	121.719,92	19PV1002208	11/06/2012	Not provided	Not provided	NA	NA
69-a	28/05/2012	29/05/2012	104.196,77	19PV1002208	11/06/2012	Not provided	Not provided	NA	NA
70-a	30/09/2012	18/10/2012	257.194,56	19PV1002373	25/10/2012	01/11/2012	231.475,10	32	2
71-a	31/01/2013	25/04/2013	280.370,33	19PV1002628	30/04/2013	30/04/2013	252.333,30	89	59
72-a	28/03/2013	25/04/2013	87.804,15	19PV1002628	30/04/2013	30/04/2013	79.023,74	33	3
73-a	28/03/2013	25/04/2013	30.830,25	19PV1002628	30/04/2013	30/04/2013	27.747,23	33	3
74-a	06/05/2013	04/06/2013	62.594,75	19PV1002724	11/07/2013	11/07/2013	56.335,27	66	36

This payment could have been avoided if the Client had paid in time as contractually provided.

This has resulted in a loss to Government

### **Recommendation**

The Chief Accounting Officer should ensure that payments to the Consultants are made in time as contractually required to avoid interest.

## **VII. Delayed Completion of Designs Leading to Delayed Implementation and Completion of the Project**

A review of the Architect's preliminary program attached to the kick-off Meeting minutes dated 29<sup>th</sup> May 2008 indicated that the project implementation would take approximately 27 months with 6 months for design phase and 21 months for Construction phase. Audit could not verify whether these timelines were provided to the Architect by Client as the draft contract did not mention any timelines.

With the commencement of 29<sup>th</sup> May 2008, it was expected that the design would be complete in 6 months by 30<sup>th</sup> November 2008. Review of progress report No.5 dated 16<sup>th</sup> February 2011, however, indicated that tender process for the Construction contracts was to commence and concluded by end of March 2011. This implies that design phase of project delayed by over 2 years and 4 months before the tender process could start.

There was no evidence on file to suggest that penalties were preferred against the consultants for delaying the process as the Consultants draft contract was equally silent on the same. The summary of the program is detailed in the table below.

**Table 14: Timelines for deliverables by the Architect**

<b>S/N</b>	<b>Stage Description</b>	<b>Duration (Day/Month)</b>
1	Stage 1	45 days / 1.50 months
2	Stage 2	62 days / 2.07 months
3	Stage 3	44 days / 1.47 months
4	Stage 4	45 days / 1.50 months
5	Stage 5	608 days / 20.23 months
<b>Commencement of Services</b>		<b>29/May/2008</b>

Lack of defined contractual timelines has led to this.

### **Recommendation**

The Chief Accounting Officer should ensure that consultants deliver as per their submitted programmes.

### **VIII. Unverified Payment of M998,845.96 to the Consultant**

The Custom transaction detail report in the January 2023 status report by MRG-LMJ JV indicated that payments to Palace Architects (PTY) Ltd amounted to M7,693,590.92. as of July 2013.

However, from a review of Consultant's invoices No. 59 to No.74a and their payment vouchers, audit established that a total sum of M8,079,435.22 (Incl. VAT) was invoiced and certified for payment with regards to standard services offered by the Architect. Out of which the redeemed invoices verified and paid were M6,694,744.96 (Incl. VAT) excluding invoices 65a, 68a and 69a.

Audit noted that there was a difference between amount paid (M6,694,744.96) that was verified and what was reported by MRG-LMJ JV (M7,693,590.92) as shown in the table below. The difference was M998,845.96 for which no documentation was on file. Besides, out of the total payments made of M6,694,744.96, payment details for a total of M896,294.99 were not availed.

**Table 15: List of verified invoices for Palace Architects**

Invoice No	Date Prepared	Date Approved	Amount Certified Excl. VAT (M)	Voucher No	Date Paid	Verified Amount Paid Incl. Source Tax (M)
59	24/07/2008	02/10/2008	134.075,66	Not provided	30/12/2008	134.075,66
61-a	21/04/2009	01/09/2009	402.226,98	Not provided	02/11/2009	402.226,98
63-a	22/02/2010	03/03/2010	402.226,98	Not provided	07/04/2010	402.226,98
64-a	30/11/2010	22/02/2011	1.072.605,28	Not provided	30/06/2011	1.072.605,28
65-a	Not availed	02/09/2011	670.378,30	19PV1001836	Not provided	Could not be verified
66-a	30/12/2011	17/02/2012	3.183.455,93	19PV1002089	02/03/2012	2.865.110,34
67-a	30/12/2011	29/05/2012	277.544,02	19PV1002208	11/06/2012	277.544,02
68-a	15/03/2012	29/05/2012	121.719,92	19PV1002208	Not provided	Could not be verified
69-a	28/05/2012	29/05/2012	104.196,77	19PV1002208	Not provided	Could not be verified
70-a	30/09/2012	18/10/2012	257.194,56	19PV1002373	01/11/2012	257.194,56
71-a	31/01/2013	25/04/2013	280.370,33	19PV1002628	30/04/2013	280.370,33
72-a	28/03/2013	25/04/2013	87.804,15	19PV1002628	30/04/2013	87.804,15
73-a	28/03/2013	25/04/2013	30.830,25	19PV1002628	30/04/2013	30.830,25
74-a	06/05/2013	04/06/2013	62.594,75	19PV1002724	11/07/2013	62.594,75
Total (Excl. VAT)			7.087.223,88			5.872.583,30
<b>Total (Incl. VAT)</b>			<b>8,079,435.22</b>			<b>6,694,744.96</b>

This may lead to unsupported payments.

### **Recommendation**

The Chief Accounting Officer should verify the missing vouchers or else recover the M998,845 from the Consultant.

## **3.3 MAKEKA DESIGN LAB (MDL) – 2<sup>ND</sup> PROJECT ARCHITECT**

This section presents the findings made relating to the Makeka Design Lab (MDL) on the construction of the New Royal Palace. MDL provided Architectural services from 3<sup>rd</sup> March 2015. There was no documented termination of MDL services on file.

The project has been assessed based on the following sub-headings;

### **a) Contract Details:**

This gives a summary of the contract data for the contract.

### **b) Scope of Works:**

This details the extent of services.

### **c) Document Review:**

This presents findings from review of documentation availed.

## **3.3.1 Contract Details**

**Table 16: Makeka Design Lab Contract details**

<b>Funder/Client</b>	<b>Government of Lesotho</b>
Client's Representative	Ministry of Public Works and Transport
Implementing Department	Building Design Services
Project Name:	Construction of the New Royal Palace of the Kingdom of Lesotho in Maseru
Project Location	Maseru - Lesotho
Project/Contract Supervision	Department of Building Design Services
Project Architect/Principal Agent (PA)	Makeka Design Lab
Date of Signature of PA Contract	03 <sup>rd</sup> March 2015
Contract Amount	M6,142,986.23 (Incl. VAT)
Amount certified and paid as of Fee note No.41 of 29 November 2017	M8,382,606.64 (Incl. VAT)



### **3.3.2 Services Scope**

Provision of Architectural design review and construction supervision services as detailed in the Client/Architect Agreement as partial service 3 i.e. no services in stage 1 and 2.

### **3.3.3 Documents Review Findings**

The following documents were reviewed; contract, 27 Fee notes, South African Council for the Architectural profession (SACAP) Tariff of Professional fees (TOPF) of 2011 guidelines, Client-Architect agreement from South African Institute of Architects (SAIA 2008), Elemental estimates from the project Quantity surveyor, Correspondences between Makeka, BDS, Contractor and consultants, Architectural drawings, Payment vouchers and Progress reports. The following was observed.

#### **I. Appointment of MDL (The Project Interior Designer) as Project Architect without following Procurement Due Process Leading to Financial Loss of M3,683,402.15**

The Public Procurement Regulations of 2007, Legal Notice No.1 of the Government of Lesotho, Part III and Part V provide circumstances for which exceptional procurement procedure may be used. Particularly Part III provides for cases of genuine emergency situations. It further states that this procedure shall apply where;

- *(a) the requirement concerns a new contract that is directly relevant to a completed contract, and the added value of the additional work being given to the same contractor/Consultant outweighs any potential reduction in costs that may be derived through a competitive tender;*
- *(b) the requirement can only be secured from the single source; this may be due to ownership of exclusive design rights or patents; and that;*
- *(c) there must be convincing and accurate reasons in (a) and (b) for competition to be avoided.*

According to the letter dated 3<sup>rd</sup> April 2014, BDS requested for a waiver from the procurement unit to procure Architectural consultancy services for construction of the New Royal Palace. Specifically; the request was to allow BDS to directly appoint Makeka Design Lab (MDL), the Project Interior Designer, as the Project Architect to undertake architectural design review and construction supervision as an additional scope to the interior design services

following the termination of the project Architect's contract in March 2014.

Among the reasons given for direct procurement of MDL included;

- *MDL was the interior designer appointed for the project and an Architect by profession and highly acclaimed Mosotho Architect in the region and internationally,*
- *The project experienced costly delays resulting from disagreements on specifications and design between the Architect and Interior Designer hence this could be avoided by having both services under the responsibility of one consultancy firm,*
- *MDL was already familiar with the project,*
- *There was urgency need to have the project completed.*

Audit established that MDL at the time of initial hiring had not provided evidence that it was a registered Architectural firm since it had been procured as an interior design firm. Single sourcing MDL and increasing their interior design scope to include architectural services without requiring and reviewing the architectural experience contravened the procurement provisions.

Audit also established that at the time of hiring MDL, the value of outstanding works on the contract according to the Quantity Surveyor's valuations was estimated at M48,771,146.50. If BDS had signed a contract with a new Architectural firm for providing the remaining partial services, it would have cost M1,705,182.26 in professional fees according to the SACAP tariff guidelines in use as shown in the table below.

**Table 17: Professional fees for outstanding works**

<b>Professional fees calculation Based on Cost of outstanding works</b>				
Cost of Works	48,771,146.50			
Base fee	231,000.00			
Secondary fee	3,048,196.66			
	3,279,196.66			
	<b>Proportion of Fees (SACAP)</b>	<b>Partials services (4)</b>	<b>Proportion of Fees (M)</b>	<b>Adjusted Fees (M)</b>
Stage 1	5%	0		
Stage 2	15%	0		
Stage 3	20%	0	-	-

Stage 4,1	20%	0		
Stage 4,2	10%	10%	327,919.67	426,295.57
Stage 5	27%	27%	885,383.10	1,150,998.03
Stage 6	3%	3%	98,375.90	127,888.67
<b>Total fees (M)</b>				<b>1,705,182.2</b>
<b>Additional fees (M)</b>				<b>3,683,402.15</b>

The reasons by BDS upon which the waiver was requested and approved from Ministry of Finance were in disregard of the requirements for emergency procurements and did not provide any cost savings on the project.

The hiring of MDL as the Project Architect was not only irregular but also cost GOL an additional M3,683,402.15 in fees by not following the appropriate procurement regulations.

### **Recommendation**

The Chief Accounting Officer should ensure that any emergency procurements follow the procurement regulations.

## **II. Commencement of Services without Contract/ Agreement**

Clause 30 (1) of the Procurement Regulations of 2007 require the Unit to invite the tenderer that satisfies the requirements specified and submitted the most favourable bid to enter into a contract. Furthermore, Clause 30 (3) requires that the two parties sign a contract within 15 working days following the notification of the invitation to contract and within the tender validity period.

In a letter dated 4<sup>th</sup> April 2014 BDS instructed MDL to commence services while the contract was being prepared. However, the contract was signed on 3<sup>rd</sup> March 2015, one year after the instruction to commence services was given to MDL. Furthermore, the signed contract was general in nature i.e. provision of partial services by the MDL without any specific details to what was required in terms of design alterations and modifications. It lacked deliverables and their timelines.

Without a signed contract in place, the scope of services, deliverables, fees for the services, roles and obligations of either party, project timelines and personnel required to deliver the services are not well defined.

**Recommendation**

The Chief Accounting Officer should ensure that contracts executed are signed by all the parties before implementation.

**2. Lack of Copyright and Ownership of Project Documentation by GoL**

The Standard terms and Conditions of Contract for supply of services (SC 27) in the Government of Lesotho (GoL) Procurement Manual of 2007 provided for all drawings, specifications, software, designs, and other data produced or used in connection with the contract to become/remain the Authority's property and be kept in an agreed format so they can be used by the Authority.

A review of the Client/Architect agreement between the GoL and Makeka Design Lab (MDL) revealed that the form of agreement adopted was the South Africa institute of Architects (SAIA) Client/Architect agreement 2008. As per clause 3.9 of this agreement, the project documents prepared by the Architect are copyright and remain the Architect's Intellectual Property with the Client having the right to use the documents for the sole purpose of their intended use on the project.

This was because of the adoption and use of Client/Architect agreement meant for the private sector that gives the ownership and copyright to the Architect instead of the Government of Lesotho standard conditions of contract.

As a result, there is restricted use of the project documentation already submitted by the Consultant Architect upon termination. Government of Lesotho has no access to any outstanding documentation in the Consultant's possession.

**Recommendation**

The Chief Accounting Officer should ensure that Government of Lesotho Standard Conditions of Contract are adopted for all public funded projects.

**III. Use of the Republic of South Africa laws in Kingdom of Lesotho contract with MDL**

Clause 4 (1) of the Government Procurement Regulations (2007) provides that all procurement units should apply government standard conditions of contract during procurement of any nature. Furthermore, Clause 64 of the 2007 Procurement Manual (Section 6.1) provides that the standard terms and conditions of contract of the Government of Lesotho should be a key consideration during

tender evaluation and that tenderers must accept these standard terms and conditions. The use of Lesotho Government Standard Terms and Conditions of Contract ensures that the law of Lesotho prevails.

A review of in the Client-Architect Agreement of 2008 between GoL and MDL established that Clause 3.15 stated that the only applicable law for the contract was the law of the Republic of South Africa. In addition, the appointment of the Architect to provide professional services was governed by the Architectural Professions Act No. 44 of 2000 and National Building Regulations and Building Standards Act No. 103 of 1977 of the Republic of South Africa. The agreement also provided for professional fees calculation using tariff guidelines developed by the South African Council of Architectural profession.

Adoption of foreign country laws in implementing the Government of Lesotho contracts has challenges when disputes arise between the consultants and the Client with the Government having recourse to courts of another government or jurisdiction which is likely to be more difficult and less favourable for the Government of Lesotho. There was no justification for using a foreign jurisdiction in the contract considering that the agreement was signed in 2015, 8 years after the GoL procurement regulations and the manual came in operation.

### **Recommendation**

The Chief Accounting Officer should ensure that contracts signed with all parties apply and are enforceable by the GoL laws.

## **IV. Lack of timelines for the services in the Contract**

The Procurement Manual of 2007 defines a contract period as the period of time laid down in a contract during which the goods, works or services specified in the contract are to be provided or completed. In addition, best practice in Construction Conditions of Contract (such as FIDIC conditions of contract Clause 4.2.1) requires that the Consultant commences the performance of the services after the commencement date and completes the whole services within the time for completion (time for Completion means time for completing the services calculated from commencement date).

The signed contract reviewed did not state the time for completion of services implying that the services contract was open-ended for as long as the prime contract was valid/active.

Lack of defined timelines leads to a risk of delaying delivery of the scope and consequently completion of the project.

## Recommendation

The Chief Accounting Officer should ensure that signed contracts have defined timelines for provision of services to ensure timely completion and penalties in case the agreed timelines are not achieved.

### **V. Overpayment amounting to M1,293,906.88 due to overestimation of Professional Fees**

Clause 6.4 of the Client/Architect agreement signed on 3<sup>rd</sup> March 2015 between the Government of Lesotho (GoL) and Makeka Design Laboratory (MDL) towards Architectural services had a fee of M5,388,584.41 in response to the professional fee proposal by MDL accepted on 4<sup>th</sup> March 2014 as shown in the table below.

**Table 18: Contract estimation of professional fees by MDL**

<b>Professional Fees Based on Cost of Works by MDL Including Contingencies (the SAIA Client-Architect Agreement of 2008 and SACAP TOPF 2011 guidelines)</b>				
Cost of Works (M)	<b>131,118,831.00</b>			
Base fee (M)	<b>423,000.00</b>			
Secondary fee (M)	<b>7,867,129.86</b>			
<b>Total fee (M)</b>	<b>8,290,129.86</b>			
<b>Work Stages Description (As per MDL proposal)</b>	<b>Proportion of Fees - SACAP</b>	<b>MDL Proposal Offer</b>	<b>Proportion of Fees as MDL Offer (M)</b>	<b>Adjusted Fees for Alterations and Modifications (30%) Clause 1.3.7 (M)</b>
Stage 1- Project initiation	5%	0		
Stage 2- Concept and viability	15%	0		
Stage 3- Design Concept	20%	10%	829,012.99	1,077,716.88
Stage 4,1- Council submission	20%	0		
Stage 4,2 – Design development and construction drawing	10%	10%	829,012.99	1,077,716.88
Stage 5 - Construction	27%	27%	2,238,335.06	2,909,835.58
Stage 6 - Closeout	3%	3%	248,703.90	323,315.06
<b>Total</b>				<b>5,388,584.41</b>

A review of the MDL proposal established that Stage 5 fees were calculated as though Stage 5 was yet to commence (0% of construction supervision undertaken) and did not take into account the completed works (which were 62.8% at that time; according to QS valuation of IPC 26 dated 27 February 2014) that had been supervised by the previous Architect. The audit done by MDL was paid for separately and re-scoping was provided for in the fees adjustment.

Auditor's fees recalculation established an overestimation of the total professional fees from M3,561,207.66 to the contract signed amount of M5,388,584.41 as shown in the table below.

**Table 19: Overpayment of fees due to over estimation of fees**

<b>Auditor's Calculation of fees Based on Cost of Works taking into account already completed works excluding Contingencies</b>						
Cost of Works, M	131,118,831.00					
Base fee, M	423,000.00					
Secondary fee, M	7,867,129.86					
	8,290,129.86					
	<b>Proportion of Fees as per SACAP 2011</b>	<b>MDL proposal Offer</b>	<b>Calculated Fees as per SACAP 2011, M</b>	<b>Calculated Fees as per MDL Contract Offer, M</b>	<b>Adjusted Fees Considering Completed works (by audit team), M</b>	<b>Adjusted Fees taking into account SACAP clause 1.3.7 (by audit team), M</b>
Stage 1- Project initiation	5%	0%	414,506.49			
Stage 2- Concept and viability	15%	0%	1,243,519.48			
Stage 3- Design Concept	20%	50%	1,658,025.97	829,012.99	829,012.99	1,077,716.88
Stage 4,1-Council submission	20%	0%	1,658,025.97			
Stage 4,2 – Design development and construction drawing	10%	100%	829,012.99	829,012.99	829,012.99	1,077,716.88

<b>Auditor's Calculation of fees Based on Cost of Works taking into account already completed works excluding Contingencies</b>						
Stage 5 - Construction	27%	100%	2,238,335.06	2,238,335.06	832,660.64	1,082,458.84
Stage 6 - Closeout	3%	100%	248,703.90	248,703.90	248,703.90	323,315.06
Fees estimated by Audit						<b>3,561,207.66</b>
Total fees paid						<b>4,855,114.54</b>
<b>Overpayment on fees</b>						<b>1,293,906.88</b>

This has led to an overpayment of M1,293,906.88.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M1,293,906.88 is recovered from the consultant.



**VI. Overpayment of M1,589,778.70 due to deviation from the contract payment terms in Invoices No. 40 and No. 41**

Annexure A3 of the Client Architect contract signed between GoL and MDL indicated that the consultant commenced the partial services in stage 3. Furthermore, fees calculation in the proposal offer by MDL accepted by the client/BDS on 4 March 2014 had partial services with stage 1, 2 and 4.1 having 0% of all fees, 50% of all fees for stage 3, and 100% of all for stages 4.2, 5 and 6.

Document review of invoices 40 and 41 revealed an overpayment of M1,589,778.7 arising from deviation from the signed contract which had provided for only partial services. The invoices provided new fees for full services of M20,843,429.15 in invoice 40 and M16,363,704.51 in invoice 41 in contravention of the contract agreement and accepted proposal offer as shown in the following tables.

**Table 20: Calculation of Professional fees based on Cost of Works in Invoice No.40 and No.41 by MDL**

	<b>Invoice 40 (M)</b>	<b>Invoice 41 (M)</b>		
Cost of Works	264.807.078,97	204.877.652,37		
Base fee	807.000,00	807.000,00		
Secondary fee	15.226.407,04	11.780.465,01		
	16.033.407,04	12.587.465,01		
Fees after Alterations and modifications (30%)	20.843.429,15	16.363.704,51		
	<b>Proportion of Fees as per SACAP 2011</b>	<b>MDL proposal Offer</b>	<b>MDL Fees Calculation - Inv. 40 (M)</b>	<b>MDL Fees Calculation - Inv. 41 (M)</b>
Stage 1	5%	0%	1.042.171,46	818.185,23
Stage 2	15%	0%	3.126.514,37	2.454.555,68
Stage 3	20%	10%	4.168.685,83	3.272.740,90
Stage 4,1	20%	0%	4.168.685,83	3.272.740,90
Stage 4,2	10%	10%	2.084.342,92	1.636.370,45
Stage 5	27%	27%	5.627.725,87	4.418.200,22
Stage 6	3%	3%	625.302,87	490.911,14
<b>Total Fees</b>			<b>20.843.429,15</b>	<b>16.363.704,51</b>

Auditor's computation of the fees in accordance with the contract and accepted proposal offer by MDL is as shown in the table following.

**Table 21: Professional fees based on Cost of Works in Invoice No.40 and No.41 as per the Contract**

	<b>Invoice 40 (M)</b>	<b>Invoice 41 (M)</b>		
Cost of Works	281.153.669,00	281.153.669,00		
Base fee	807.000,00	807.000,00		
Secondary fee	16.166.335,97	16.166.335,97		
	16.973.335,97	16.973.335,97		
Fees after Alterations and modifications (30%)	22,065,336.76	22,065,336.76		

	Proportion of Fees - SACAP	MDL Proposal Offer	MDL real Fees - 40 (M)	MDL real Fees - 41(M)
Stage 1	5%	0%		
Stage 2	15%	0%		
Stage 3	20%	10%	2.206.533,68	2.206.533,68
Stage 4,1	20%	0%		
Stage 4,2	10%	10%	2.206.533,68	2.206.533,68
Stage 5	27%	27%	2.216.242,42	2.216.242,42
Stage 6	3%	3%	661.960,10	661.960,10
<b>Total</b>			<b>7.291.269,88</b>	<b>7.291.269,88</b>

Upon recalculation, audit found that the Consultant was overpaid by M1,589,778.70 in invoices 40 & 41 as shown in the table below:

**Table 22: Overpayment of M1,589,778.70 in invoices 40 & 41**

<b>Invoice No. 40</b>			
<b>Description</b>	<b>Amount Paid to MDL (M)</b>	<b>Audit Amount (M)</b>	<b>Variance (M)</b>
Previous Fees	5.388.584,41	5.388.584,41	
Adjusted Fees	20.843.429,15	7.291.269,88	13.552.159,27
Current Fees less Previous	15.454.844,74	1.902.685,47	13.552.159,27
Architectural fees based on current fees (6%)	927.290,68	114.161,13	813.129,56
Add VAT (14%)	1.057.111,38	130.143,69	926.967,69
Total Paid Incl. VAT	1.057.111,38	130.143,69	926.967,69
<b>Invoice No. 41</b>			
Previous Fees	5.388.584,41	5.388.584,41	
Adjusted Fees	16.363.704,51	7.291.269,88	9.072.434,63
Current Fees less Previous	10.975.120,10	1.902.685,47	9.072.434,63
Architectural fees based on current fees (6,4085%)	703.348,06	121.934,90	581.413,16
Add VAT (14%)	801.816,79	139.005,78	662.811,01
<b>Total Paid Incl. VAT</b>	<b>801.816,79</b>	<b>139.005,78</b>	<b>532.667,32</b>
<b>Total Paid in Inv. 40 and 41 (Excl. VAT)</b>	<b>1.630.638,74</b>	<b>236.096,02</b>	<b>1.394.542,72</b>
<b>Total Paid in Inv. 40 and 41 (Incl. VAT)</b>	<b>1.858.928,17</b>	<b>269.149,47</b>	<b>1.589.778,70</b>

This led to an overpayment of M1,589,778.70 the consultant

**Recommendation**

The Chief Accounting Officer should ensure that M1,589,778.70 should be recovered from the Consultant.

**VII. Absence of Determination of alterations and modifications (Design Changes), Specifications and Drawings by BDS**

Clause 2.1.15 of the Client-Architect agreement required the Client to review the plans and specifications issued by the Architect and determine that the Architect had adequately interpreted the Client's requirements and that the building would be suitable for the intended use.

From the documentation availed showed that there was no evidence of determination/approval by the Client of the alterations & modifications (design changes), specifications and drawings issued by the Architect yet the project cost increased from M131,118,831.00 (Excl. VAT) at the time of engaging MDL to M361,962,373.82 (Excl. VAT) due to scope changes. Furthermore, audit established that there were no defined Client requirements (defined scope of works) to the Architect regarding the required design changes at the time of contract signature.

Increase in scope by MDL without BDS approval led to schedule delays, increased project cost, confusion in coordinating the different contractors and consultants and numerous change orders some of which have led to claims.

**Recommendation**

The Chief Accounting Officer should ensure that all alterations and modifications are approved by the Client before implementation by the Contractor.

### **3.4 LETHOLA COST ASSOCIATES -PROJECT QUANTITY SURVEYOR**

This section presents the findings made relating to the consultant quantity surveyor on the construction of the New Royal Palace. The project has been assessed based on the following sub-headings;

#### **a) Contract Details:**

This gives a summary of the contract data for the services contract.

#### **b) Scope of Services:**

This details the extent of services;

#### **c) Document Review Findings:**

This presents findings from review of documentation availed;

#### **3.4.1 Contract Details**

The details of the Quantity Surveying contract are presented below.

**Table 23: Lethola cost Associate's Contract details**

<b>Project Name</b>	Proposed New Royal Palace of the Kingdom of Lesotho at Maseru for the Ministry of Public Works and Transport
<b>Contract number</b>	WKS/TP/16-09/2010
<b>Client</b>	Ministry of Public Works and Transport
<b>Quantity Surveyor</b>	Lethola Cost Associates
<b>Contract Sign Date</b>	No date
<b>Initial Contract Sum</b>	M826,160.47 (Incl. VAT)
<b>Revised Contract Sum</b>	Not Aailed
<b>Contract Duration</b>	Not Aailed
<b>Initial Completion Date</b>	Not Aailed
<b>Amount Certified and paid as of 27<sup>th</sup> Sept 2024</b>	M25,563,479.95 (Incl. VAT)

#### **3.4.2 Scope of Services**

Quantity surveying services for the proposed construction of the New Royal Palace in Maseru.

### 3.4.3 Document Review Findings

The documents reviewed included the consultant's contract, evaluation report for the quantity surveying consultants, invoices from the consultant, savings from the Directorate of Building Design Services (BDS) to the Senior Principal Secretary (SPS) Royal Palace, payment vouchers from SPS Royal Palace to Principal Secretary (PS) Finance, correspondences between the Ministry of Public Works and the Consultant, Board Notice 140 of 2008 the South African Council of the Quantity Surveying Profession (SACQSP), 2009 Tariff of professional fees (TOPF). The following was observed;

#### I. Unfair financial comparison of bids during evaluation of bids

Section 13.1 (4) of the Procurement Manual 2007 provides that the evaluation criteria adopted must be strictly adhered to, ensure that there is no subjective evaluation of tenders and that the choice of the successful tenderer is unbiased.

The evaluation report for quantity surveyors indicated that a quality and cost methodology was adopted for evaluation. A review of the report indicated that the financial evaluation of the technical compliant bids was subjective as the different bidders based their bid prices on different project budgets while the financial evaluation assumed similar project price for comparison. The winning bidder (Lethola cost associates) presented a fee of **M826,160.47** based on an estimated project budget of **M32,034,299.14** and calculated using the tariff of professional fees as recommended by the South African Council of the Quantity Surveying Profession (SACQSP). The other two bidders had fees of M1,591,475.19 and M1,658,066.49 which were higher than the maximum possible (M928,272.09 Incl. Tax) with the same estimated value of works of **M32,034,299.14** as shown in the table below. This implied that the base fee value for works for fee services were different for the losing bidders.

**Table 24: Compared bid prices for quantity surveying services**

SN	Description/item	Lethola Cost Associates (M)	Murdoch Green Partnership (M)	Quantum Quantity Surveyors (M)
1	Estimated construction cost	32,034,299.14	Not availed	Not availed
2	Value of works for fee services (Excluding works not supervised by QS)	18,554,799.28	Not availed	Not availed
3	Total fee amount (TOPF 2009)-without tax	814,272.09	Not availed	Not availed

4	Total fee amount (TOPF 2009) (Excl. VAT)	928,272.09	Not availed	Not availed
<b>Total fee amount (Incl. VAT)</b>		<b>826,160.47 (11% discount)</b>	<b>1,591,475.19</b>	<b>1,658,066.49</b>

Audit also noted that during the project implementation period, there was an increase in professional fees by 2,994% (Ref: Invoice 32 of 17<sup>th</sup> February 2021) with the revised fees being M25,563,479.95 which was more than all the original fees by the competing consultants which was as a result of failure to provide a uniform budget to the bidding consultants.

The comparison of fees developed using different bases at financial evaluation resulted in an unfair financial comparison of bidders by the Client/MoPWT/BDS.

### **Recommendation**

The Chief Accounting Officer should ensure that the procurement process adopts methods that are unbiased to achieve an economically viable bid.

### **II. Omissions in the consultant's contract regarding commencement, completion and expiration of contract**

Clause 37(2) of the 2007 procurement regulations requires a procurement contract to have the contract price, payment terms and conditions, amount and terms of the performance guarantee, arrangements for contract administration and project management, terms and conditions of contract, schedule of execution of works and services or supply of goods, or conditions and methodology of price adjustment.

A review of the contract agreement signed between the Ministry of Public Works and Transport and Lethola Cost Associates indicated that though the signatories had signed, there was no signing date and as such any schedule of execution of services developed had no baseline. This omission meant that the commencement of services, effectiveness of services or expiry of contract could not be ascertained from the conditions or special conditions and commencement/completion dates could not be determined. In absence of these provisions, the timelines within which the deliverables were expected could not be ascertained. This was due to omission by BDS

Any extensions of time had no basis as the baseline was not determined at the start. Absence of the scheduled timelines of the services contract resulted in an open contract without any specific delivery timelines for the services provision.

### **Recommendation**

The Chief Accounting Officer should ensure that contracts are thoroughly reviewed and include the commencement date, duration and completion times.

### **III. Failure to modify the contract price as required by the contract**

GCC 2.4 of the signed contract between the Ministry of Public Works and Lethola Cost Associates provided for modifications of the terms and conditions of the contract, including any modification of the scope of services or of the contract price, to only be made by written agreement between the parties, and would only be effective after the consent of the Government of Lesotho had been obtained.

A review of the contract documentation indicated that though the lump sum contract price signed was M826,160.47 (Incl. VAT), the consultant quantity surveyor had been paid M25,563,479.95 (Incl. VAT) for professional fees by Invoice no.32 at the time of audit in September 2024 indicating a 2,994% increase. There was no agreement indicating whether the revision of fees had been agreed upon by the two parties in accordance with the contract to indicate the change in price and scope that merited such an increase.

Without a written agreement, audit could not establish the basis of change in pricing as there was no indication of change in scope of services.

### **Recommendation**

The Chief Accounting Officer should ensure that variations in contract prices adhere the contract clauses during implementation.

### **IV. Overpayment on disbursements of M78,643.65 due to failure to follow the procurement regulations**

Clause 9 of the 2007 Procurement Regulations provides for a lump sum contract to be applicable where the definition of tasks is clear and unambiguous, and the consultant is prepared to perform the assignment for an agreed pre-determined lump sum price.

The request for proposals (RFPs) issued to the potential bidders indicated that the scope of work and concept design for which the quantity surveying services were sought was defined. Furthermore, a lump sum contract was signed with the winning bidder for which any variation in price would be necessitated by a scope change. The



lump sum contract signed included all disbursement costs implying that payment for all disbursements of M78,643.65 to the consultant as shown in the table below was an overpayment and should be recovered. However, this procurement regulations regarding lumpsum contracts were disregarded.

**Table 25: Disbursements paid to LCA**

<b>Invoice No.</b>	<b>Invoice Date</b>	<b>Disbursements Paid (M)</b>
16	23rd February 2017	32,304.25
18	18th March 2018	46,339.40
<b>Total</b>		<b>78,643.65</b>

This resulted in overpayments to the consultant.

### **Recommendation**

The Chief Accounting Officer should ensure that disbursements are not paid in lump sum contracts and that the payment of M78,643.65 is recovered from the Consultant.

## **V. Deviation from the contract payment terms**

Clause 6.4 of the contract signed between Ministry of Public Works and Lethola Cost Associates specified the payment schedule with which the consultant would be compensated as:

- (a) 10% of the lump sum being paid at completion of the preliminary stage.
- (b) 70% of the lump sum being paid at completion of the design and tender stage,
- (c) 10% at completion of the practical completion stage and
- (d) 10% after issuance of the final completion certificate.

A review of the contract management file for the Quantity Surveyor indicated that the contractual payment terms were only adhered to for the first fee payment and were subsequently changed without varying the applicable contract clause. In addition, Stage completion payments were also changed to new terms that were not contractually based. The new terms were further revised hence changing the apportionment fees as shown in the table below.

**Table 26: Revised payment proportions**

SN	Contract apportionment and used in invoice 1	Deviation from contract terms in clause 6.4		
		Apportionments in Invoices 2-12	Apportionments in Invoices 13-16, Stage 1 (15-32)	Apportionments in works completion stages 1 (17-32)
1	Preliminary stage -10%	Service A – Estimating and cost advice (10%)	Stage 1-Inception (2.5%)	Stage 1-Inception (2.5%)
2	Design and tender stage - 70%	Service B – Documentation and procurement (37.5%)	Stage 2 – Concept and viability (5.0%)	Stage 2 – Concept and viability (5.0%)
3	Practical completion -10%	Service C – Contract administration - 37.5%	Stage 3 – Design development (7.5%)	Stage 3 – Design development (7.5%)
4	Final completion -10%	Service D – Final account (15.00%)	Stage 4 – Documentation and procurement (35.0%)	Stage 4 – Documentation and procurement (17.50%)
5			Stage 5 – Construction (45.0%)	Stage 5 – Construction (62.5%)
6			Stage 6 – Close out (5%)	Stage 6 – Close out (5%)

As shown in the table above, the payment terms varied across the project implementation period without variation of the contract or justification which can lead to over or under payments.

This may lead to overpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the payment terms in the contract are followed to prevent financial losses.

### **VI. Overpayment of M2,546,035.93 due to adoption of incorrect band of the Tariff of Professional Fees (TOPF-SACQSP) for calculation of fees**

Clause 2.1 of the 2009 tariff of professional fees by SACQSP requires that the fee shall be a basic fee set out in Clause 2.2 multiplied by the appropriate percentages in Clauses 2.3 to 2.6 and shall be apportioned as set out in Clause 2.7.

A review of the fees used in preparation of invoices 16,17 and 20 paid indicated that basic fees were erroneously used as shown in the table following.

**Table 27: Overpayment due to errors in the TOPF**

As approved by BDS and paid				Auditor's re-calculation of fees		
Fee notes	Value for fee purposes, M	Primary charge, M	Marginal rate, M	True primary charge, M	True marginal rate, M	Overpayment (VAT incl.) – Cumulative, M
16	114,937,699.18	3,790,400.00	5.15% (2,623,291.51)	2,872,000	3.90% (1,579,068.7)	
17	75,168,751.27	5,368,000.00	3.90% (435,581.30)	2,872,000	3.90% (435,581.30)	
20	93,813,608.40	5,368,000.00	3.90% (1,162,730.73)	2,872,000	3.90% (1,162,730.73)	<b>2,546,035.93</b>

As shown in the table above, the marginal rates and primary charges used were wrong resulting in an overpayment of M2,546,035.93 to the Consultant that should be recovered. This was a result of use of wrong primary charges in the TOPF.

An Overpayment of M2,546,035.93 has resulted.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M2,546,035.93 is recovered from the Consultant.

## **VII. Lack of internal controls in verifying payments to the QS**

Clause 2.3 of the 2009 tariff of professional fees by SACQSP provided for appropriate percentages for building work in case of alterations to works.

A review of the fee notes indicated that the Quantity Surveyor requested for the adjustment of fees for alterations and new works which exceeded the total value of works for fee services in 3 of the 11 invoices where the alterations were applicable as shown in the table below.

**Table 28: Payments for new works and alterations without controls**

S N	Invoice	Value of works for fee services, M	Alterations, M	New works, M	Fees paid, M	Remarks
1	15	159,417,248.46	6,139,370.00	197,161,239.87	832,131.83	Value for fee services less than new works
2	16	114,937,699.18	1,920,455.50	149,873,703.81	2,236,062.12	
3	17	75,168,751.27	10,008,735.56	77,187,907.19	4,095,970.85	
4	20 works	93,813,608.40	10,705,271.12	83,108,337.28	0	Ok. Consistent
5	21, 23, 25, 26, 28, 30	245,180,029.97	15,544,737.23	229,635,292.74	0	
6	32	245,180,029.97		236,620,646.10	0	
<b>Total</b>					<b>7,164,164.8</b>	

The calculating of basic fees for the QS using the value of works that contained works that were not part of the QS scope in Invoices 15, 16 and 17 resulted in an unjustified payment as shown in the table above that should be corrected.

This might lead to under or overpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the basis for the fees paid in Invoices 15, 16 and 17 are verified and that the correct amounts were paid.

### **VIII. Overpayment of M13,576,361.91 (Incl. VAT) due to irregular application of excessive variation clause of the TOPF**

Clause 4.3 of the TOPF regarding excessive variation provides that;

- ***should the actual construction period less than any extension of time allowed for additional work and less any period(s) of more than 28 days during which the site was abandoned, exceed the initial contractual construction period by more than 15 percent),***

then an additional fee shall be charged and shall be calculated by multiplying 80 percent of the fee for Stage 5 for the relevant category in column 1 of Clause 2.7 by the said excess and dividing it with the initial construction period.

A review of invoice 32 showed that an excessive variation amount of M13,576,361.91 (Incl. VAT) was cumulatively paid without meeting all the applicable conditions set thereof for the use of the excessive variation Clause 4.3. The excessive variation was applied over a range of Stage 5 fee values across a varied scope of works as shown in the following table.

**Table 29: Overpayments from escalation clause**

SN	Fee Note	Value of works for QS services, M	Stage 5 fee value, M	Excess period (> 18)	Excessive variation claimed, M	Variation Paid (Cumulative), M
1	17	75,168,751.27	3,830,988.475	15/18	2,273,053.16	2,159,400.50
2	20	93,813,608.40	4,319,597.48	15/18	2,562,961.17	2,434,813.11
3	21	245,180,029.97	6,208,828.23	32/18	7,858,996.80	5,552,172.72
4	23	245,180,029.97	6,208,828.23	40/18	9,823,746.01	7,004,197.46
5	25	245,180,029.97	6,208,828.23	40/18	9,823,746.01	7,490,606.33
6	26	245,180,029.97	6,208,828.23	40/18	9,823,746.01	7,797,598.39
7	28	245,180,029.97	6,208,828.23	44/18	10,806,120.61	8,729,319.30
8	30	245,180,029.97	6,208,828.23	50/18	12,279,682.51	10,256,941.58
9	32	245,180,029.97	6,123,354.30	56/18	13,563,910.16	11,805,532.10

As shown in the table above, Stage 5 fee values varied across the 56-month period which indicated varying scope of works from M75,168,751.27 to M245,180,029.97 over the period where the excess variation was claimed. Furthermore, there existed no evidence of a signed agreement between the Ministry of Public Works and Lethola Cost Associates providing for a fixed duration of 18 months over which the QS services would be provided for a defined scope of

work. This is a consequence of improper application of the TOPF clause regarding excessive variation.

In view of the above, the payment of **M13,576,361.91** (Incl. VAT) was irregular.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M13,576,361.91 due to irregular application of the excessive variation clause is recovered.

## **IX. Improper form of the professional indemnity**

Clause 21 of Section 6.3 of General Conditions of Contract for services in the 2007 Procurement Manual requires that a professional indemnity for the contractor is provided and that the staff commissioned by the consultant take out and maintain a professional indemnity throughout the period from date of commencement of their services for a period of 6 years from the date of completion as specified in the contract.

A review of the professional indemnity on file submitted by the consultant dated 1st October 2019 indicated that the QS provided a general professional indemnity for the company from 1<sup>st</sup> October 2021 to 30<sup>th</sup> September 2022 which covered one year as opposed to 10 years from the date of commencement of the services. There was also no staff professional indemnity on file. In addition, the contract agreement did not specify the extent of risks and coverage and the staff to be covered.

In absence of a staff specific cover or general cover from commencement of services, Audit could not ascertain whether the Ministry of Public Works was indemnified against professional negligence by the QS' staff or the period from the start of project implementation.

### **Recommendation**

The Chief Accounting Officer should ensure the contract clearly the required insurance covers and that they are provided by the consultants during the entire project duration.

## **X. Irregular payment of invoice 14 of M542,930.68 twice**

Section 606 (1) of the 1973 financial regulations provided for contract payments to have evidence of work done before any payments are made.

A review of the documentation indicated that Invoice 14 had been paid without any evidence of work done. Furthermore, a review of the Lesotho revenue receipts for withholding tax indicated that withholding tax on payments of M542,930.68 to Lethola cost associates had been remitted twice by the Royal Palace on 15/03/2016 and 18/03/2016 and received by the Tax Authority on 14 July 2016 and 2 May 2017 respectively. This was an indication that two payments of the same amount were made to the supplier for the same invoice.

Payments without evidence of work completed leads to financial loss.

### **Recommendation**

The Chief Accounting Officer should ensure that no payments are made to the Consultant over and above the certified amounts. In case any payments are observed, recovery measures should be instituted.

### **XI. Failure to include the methodology for preliminaries in the Contract BoQs**

Clause 11 of the Works contract provided that the Bill of Quantities were deemed to have been prepared with the latest edition of the Standard System of Measuring Building Work (SSMBW) issued by the Association of South African Quantity Surveyors (ASAQS). The SSMBW states that the method of payment for preliminaries and the method of calculation for adjustment of preliminaries is provided.

In the contract BoQs, there was no method specified for the calculation of preliminaries and their adjustment. However, a review of the interim valuations revealed that Option A of the Preliminaries and Securities Calculations as per Clause 10.0 of the JBCC Lesotho PBA Contract Data form was adopted for calculating preliminaries.

Failure to specify the method of calculating preliminaries may lead to errors that result in overpayments or underpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the Quantity surveyor states the methodology of calculating adjustments to preliminaries in the Bills of quantities.

## **XII. Absence of evidence of the Deployed Staff during Design and Supervision of the Contract**

Clause 4.1 of the contract describes the key personnel to be availed by the consultant and the estimated periods of engagement in carrying out of services as described in appendix C of the Contract. Furthermore, Clause 5.5 of the consultant's Terms of Reference (ToRs) in the contract provided the minimum number of personnel expected while Clause 5.7.4 of the same ToRs expected the consultant's representation during the full duration of the monthly progress.

A review of the contract indicated that appendix C was not included to show schedule of personnel for the QS services. Further review correspondences indicated that whereas there was no staff schedule, a staff change was requested by the consultant in March 2009 and received after 2 years by the Client in May 2011. There was however no proof of acceptance of the proposed change by the Client.

Failure to have required key staff and/or their approved replacements where necessary can lead to use of inexperienced staff during project implementation increasing likelihood of errors in provision of QS services.

### **Recommendation**

The Chief Accounting Officer should ensure that any staff changes are approved, and that evidence of deployment availed throughout the project duration.

## **XIII. Inconsistencies in Value for Works used to calculate the Basic Fees for Payment**

Clause 10.47.8 of TOPF by SACQSP provides that the value of works for purposes of fee calculations should exclude the works for which the QS services are not required.

A review of the invoices 15 to 32 established that the consultant was not using consistent value of works for the calculation of basic fees as shown in the table following.

**Table 30: Fluctuations in value of works used for payment**

Sn	Invoice	Stage 1 – works value	Value of works to completion	Work not involving Q.S	Quantity surveying fees
1	15	76,722,218.40	203,300,609.87	43,883,361.41	5,686,934.37
2	16	75,145,176.32	151,794,158.81	36,856,459.63	5,726,240.04
3	17	75,145,176.32	87,196,642.75	12,027,891.48	7,728,380.75
4	20	75,145,176.32	106,067,299.04	12,253,690.64	8,714,067.99
5	21	74,592,454.52	283,091,580.14	37,911,550.17	16,700,368.21
6	23	74,592,454.52	283,091,580.14	37,911,550.17	18,665,117.41
7	25	74,592,454.52	283,091,580.14	37,911,550.17	18,665,117.41
8	26	74,592,454.52	283,091,580.14	37,911,550.17	18,665,117.41
9	28	74,592,454.52	283,091,580.14	37,911,550.17	19,647,492.01
10	30	74,592,454.52	283,091,580.14	37,911,550.17	21,121,053.91
11	32	74,592,454.52	283,091,580.14	37,911,550.17	22,283,566.69

Disregard of the TOPF guidelines regarding works to exclude for quantity surveying services led to inconsistencies in values of works and works not involving the QS used to calculate fees resulted in questionable fees for payment and may lead to overpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the payments to consultants are consistent with the payment guidelines to avoid any overpayments.

## **XIV. Payment without supporting documentation**

Section 606 (1) of the 1973 Financial Regulations provided for contract payments to have evidence of work done before any payments are made.

All the payments to the consultant amounting to M25,563,479.95 had no supporting documentation before they were effected. The stage payments were based on percentage cumulative progress achieved for the particular stage for which no evidence of achievement was availed to BDS before any payment were made.

Payment without supporting documentation increases the risk of payment for unmet deliverables.

### **Recommendation**

The Chief Accounting Officer should ensure that any payments to the consultant are supported before being made.



## **XV. Overpayment of M625,122.92 from wrong application of multiple procurement contracts Clause**

Clause 10.24 of the TOPF provides for adjustment of fees based on multiple procurement contracts where separate documentation and related services are required for works executed under the following conditions

- ***Under 10 sub-contracts whether a principal contractor is appointed or not and***
- ***Where the final value of such sub-contracts or direct contracts including any adjustments exceed 40 percent of the value for fee services.***

A review of the project documentation indicated that only one main contractor (LSP) was doing the main works and the separate preparation of bill of quantities was due to changes by the new supervisor (Makeka Design Lab) and not for the sake of issuing bids to multiple sub-contractors. In addition, the quantity surveyor was paid for the services in the form of the additional costs for the increased scope of works as required by the TOPF based on the revised primary fees and marginal rates.

**Table 31: Overpayment from application of multiple procurement clause**

SN	Fee Note	Value for fee services, M	Mini-bills, M	Mini-bills fee claimed (cum.), M	Amount Paid (Cum.), M
1	17	75,168,751.27	23,290,152.29	159,461.42	151,488.35
2	20	93,813,608.40	27,139,212.85	194,316.34	184,600.52
3	21	245,180,029.97	212,078,457.72	790,882.07	558,737.20
4	23-30	245,180,029.97	212,078,457.72	790,882.07	660,605.94
5	32	245,180,029.97	193,956,969.18	718,232.02	625,122.92

As shown in the table above, the mini-bills increased from invoice 17 and later reduced in invoice 32. The same applied for the fees that reached peak value in fee note 30 before reducing in fee note 32. Application of the Clause led to overpayment of M625,122.92.

### **Recommendation**

The Chief Accounting Officer should ensure that the payment of M625,122.92 based on the multiple bills is recovered.

## **3.5 AFRICON/AURECON/ZUTARI - (CIVIL/STRUCTURAL ENGINEER)**

This section presents the findings made relating to the civil/structure consultant on the construction of the New Royal Palace. The project has been assessed based on the following sub-headings;

**a) Contract Details:**

This gives a summary of the contract data for the services contract.

**b) Scope of Works:**

This details the extent of services.

**c) Document Review:**

This presents findings from review of documentation availed.

**3.5.1 Contract Details**

**Table 32: Contract details**

<b>Funder/Client</b>	Government of Lesotho
<b>Client's Representative</b>	Ministry of Public Works and Transport
<b>Implementing Department</b>	Building Design Services
<b>Project Name</b>	Construction of the New Royal Palace of the Kingdom of Lesotho in Maseru
<b>Project Location</b>	Maseru - Lesotho
<b>Project/Contract Supervision</b>	Department of Building Design Services
<b>Civil and Structural Consultant</b>	ZUTARI formerly AURECON (PTY) Ltd
<b>Date of Contract Signature</b>	7 <sup>th</sup> July 2009
<b>Consultant Contract Number</b>	WKS/TP/15-09/2010
<b>Original Consultant's Lumpsum Contract</b>	M1,482,312.00 (Incl. VAT)
<b>1<sup>st</sup> Fee Adjustment - Lumpsum</b>	M5,090,220.85 (Incl. VAT)
<b>Change of payment terms from Lumpsum to Time and Cost Basis</b>	M7,343,510.98 (Incl. VAT)
<b>2<sup>nd</sup> Fee Adjustment - Lumpsum</b>	M12,682,357.19 (Excl. VAT)
<b>Amount certified and paid (As of November 2020)</b>	M13,929,581.61 (Incl. VAT)

**3.5.2 Scope of services**

Civil and structural consulting services on the Construction of the New Royal Palace.

**3.5.3 Document review findings**

The documents availed for review included the contract, structural/civil drawings, 26 invoices, 21 payment vouchers, correspondences between the Client and the consultant, Guideline scope of services and tariff of fees for persons registered in terms of the Engineering Profession Act, 2000 (Board notice No. 19 of March

2008 by Engineering Council of South Africa). The following was observed.

#### **I. Lack of timelines for the Civil/Structural services in the Contract**

The Procurement Manual of 2007 defines a contract period as the period of time laid down in a contract during which the goods, works or services specified in the contract are to be provided or completed. In addition, best practice in Construction Conditions of Contract (such as FIDIC conditions of contract Clause 4.2.1) requires that the Consultant commences the performance of the services after the commencement date and completes the whole services within the time for completion (time for Completion means time for completing the services calculated from commencement date).

The signed contract reviewed by audit did not state the time for completion of services implying that the services contract was open-ended for as long as the prime contract was valid/active.

Lack of defined timelines leads to a risk of delaying delivery of the scope and consequently completion of the project.

#### **Recommendation**

The Chief Accounting Officer should ensure that signed contracts have defined timelines for provision of services to ensure timely completion and penalties in case the agreed timelines are not achieved.

#### **II. Overpayment of M2,789,204.20 (Incl. VAT) in design fees**

Clause 6.2 (b) of the Special Conditions of the Contract signed on 7 July 2009 between the Government of Lesotho (GOL) and Africon (PTY) Ltd stated that the contract price was M1,482,312.00 (Incl. VAT) for the design and supervision of the Royal Place in Maseru. Furthermore, Clause 6.4 of the contract provided that the payment would be made according to the schedule as presented in the table below.

**Table 33: Fees schedule as per contract agreement**

<b>Contract amount (Incl. VAT)</b>	M1,482,312.00	
<b>Contract amount (Excl. VAT)</b>	M1,300,274.00	
<b>Stages for services</b>	<b>Proportion of fees</b>	<b>Fees (M)</b>
Preliminary stage	10%	130,024
Completion of design and tender	70%	910,191.52
Issuance of Practical completion	10%	130,024
Issuance of completion certificate	10%	130,024

Audit noted that an amount of **M3,486,889.23** (Excl. VAT) had been fully paid as per Invoice 5 dated 5<sup>th</sup> October 2012 on payment voucher 19PV1002374 dated 25<sup>th</sup> October 2012 in respect of design component completed. However, the signed contract agreement had provided for payment of only **M1,040,215.52** up to and including the design and tender. The extra payment of **M2,789,204.20** up to design and tender as shown in the table below was irregular.

**Table 34: Irregular payments of design stage fees**

Stages in the contract	% Fees Proportion as Per contract	Contract fees (clause 6.4), M	Stages in invoice 5	% Fees	Invoice 5 of October 2012, M
Preliminary stage	10	130,024	Preliminary stage	30	1,394,755.69
Completion of design and tender	70	910,191.52	Design and tender	30	1,394,755.69
			Working drawings	15	697,377.85
<b>Total</b>		<b>1,040,215.52</b>			<b>3,486,889.23</b>
Variance in fees for design, M					2,446,670.35
<b>Variance in fees for design (Incl. VAT), M</b>					<b>2,789,204.20</b>

The extra payment for already completed and paid stages is irregular.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M2,789,204.20 is recovered from the Consultant.

### **III. Overpayment of M2,925,924.01 towards non-contractual staff on the project (after project restart in June 2015)**

Clause 3.5 (b) of the contract required the consultant to obtain the Client's prior approval in writing before appointing such members of the personnel not listed by name in Appendix C (the consultant's team composition in the technical proposal). Further Clause 4.2 (a) of the contract required no changes in the key personnel without the Client's approval.

A review of Consultant's invoices and supporting timesheets for work done between June 2015 and July 2019 established that the Consultant was paid M6,970,781.64 after deployment of 27 personnel to carry out design tasks and construction supervision.

However, review of the contract indicated that only 6 personnel were provided to undertake design and supervision services. This implied that additional 21 staff were deployed on the project. There was no evidence of approval by the Client for additional staff or replacements as required by the contract.

The increase in personnel from 6 to 27 was not justified which resulted in overpayment of M2,925,924.01 as shown in the table below.

**Table 35: Irregular payments of non-contractual staff between June 2015 and July 2019**

S/N	Name	Professional Fees		Amount Paid, M	Irregular Payment, M
		Designation	Services provided		
1	De Beer M	Structural Engineer	Design and Construction Supervision	18.057,74	18.057,74
2	Greeff PJ	Structural Engineer	Design and Construction Supervision	665.119,72	665.119,72
3	Meyer H	Structural Engineer	Design and Construction Supervision	15.603,61	15.603,61
4	Pretorius S	Structural Engineer	Design and Construction Supervision	1.116.300,27	-
5	Joubert DF	Structural Engineer	Design and Construction Supervision	1.765.296,77	-
6	Ngwerume TC	Structural Engineer	Design and Construction Supervision	568.045,89	568.045,89
7	Meissenheimer MJ	Structural Engineer	Design and Construction Supervision	338.631,59	338.631,59
8	Van der Merwe PA	Civil Engineer	Design and Construction Supervision	79.606,81	79.606,81
9	Barnard W	Civil Engineer	Design and Construction Supervision	1.522,58	1.522,58
10	Mothibi OS	Civil Engineer	Design and Construction Supervision	25.379,25	25.379,25
11	Coetzee DJ	Civil Engineer	Design and Construction Supervision	113.120,55	113.120,55
12	Blignaut L	Civil Engineer	Design and Construction Supervision	209.704,53	209.704,53
13	Geyvenstein SJ	Civil Engineer	Design and Construction Supervision	103.743,22	103.743,22
14	Horn EP	Civil Engineer	Design and Construction Supervision	761.999,05	-
15	West C	Civil Engineer	Design and Construction Supervision	22.237,87	22.237,87
16	Flack RI	Structural Engineer	Design and Construction Supervision	497.155,04	497.155,04
17	Serobe SLT	Structural Engineer	Design and Construction Supervision	38.815,93	38.815,93
18	Visagie DL	Structural Engineer	Design and Construction Supervision	1.036,77	1.036,77
19	Nasilowski R	Structural Engineer	Design and Construction Supervision	10.273,06	10.273,06
20	Mokgelhi E	Structural Engineer	Design and Construction Supervision	37.037,73	37.037,73
21	Leboho L	Structural Engineer	Design and Construction Supervision	4.120,69	4.120,69
22	Fouche J	Structural Engineer	Design and Construction Supervision	8.594,60	8.594,60
			<b>Support Staff</b>		
23	Rankhala B	Support	Construction Supervision assistance	1.193,26	-
24	Putsoa M	Support	Construction Supervision assistance	8.980,71	8.980,71
25	Mohapi TS	Support	Construction Supervision assistance	121.838,85	121.838,85
26	Khashole Ralebitso	Support	Construction Supervision assistance	400,068.28	-
27	Nthejane K	Support	Attending Meetings	37,297.26	37.297,26
				<b>6.970.781,64</b>	<b>2.925.924,01</b>

Payment to non-contractual staff led to an overpayment.

**Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M2,925,924.01 is recovered.

#### **IV. Payment of M1,053,772.06 without basis due to non-contractual Computation of Professionals Fees**

The financial proposal in Appendix D of the contract agreement between the Client and the Consultant stated that the professional fees were to be based on the Board Notice 19 of 2008 Government gazette 30891, 28 March 2008 that provides for the use of primary and secondary fees.

A review of the invoices showed that from the commencement of services in 2009, the professional fees were calculated and paid as per the contract requirements until July 2019. The subsequent invoices that were issued from February 2020 were based on a new methodology without contractual basis.

The new methodology used by the Consultant fixed the proportion of professional fees payable at **16.08%** henceforth using the proportion of fees that had been paid by July 2019 and the estimated value of civil works for that period (i.e. previously paid fees of M10,954,996.83 as a proportion of civil works value of M68,113,564.42).

The new methodology without contractual basis led to payment of M1,053,772.06 to the consultant after February 2020 for invoices 8 to 14 as shown in the table below.

**Table 36: Questionable payments from Invoice 8 to 14**

<b>SN</b>	<b>Inv. No</b>	<b>Amount Paid</b>
1	08	142,065.64
2	09	336,082.46
3	10	38,047.07
4	11	171,845.94
5	12	24,730.6
6	13	82,435.32
7	14	121,116.5
<b>Total</b>		<b>916,323.53(Excl. VAT)</b>
		<b>1,053,772.06 (Incl. VAT)</b>

The method used for calculation of professional fees based on the non-contractual method could not be justified by audit and may have resulted in an irregular payment.

#### **Recommendation**

The Chief Accounting Officer should ensure that the consultants adhere to the contract terms prior to approval of payments and a re-computation of the professional fees should be done using the methods provided for in the contract.



## **V. Overpayment of M186,732 in invoices 4, 5 and 6**

Clause 3.2.1 of the Board Notice No.19 of March 2008 issued by the Engineering Council of South Africa provides that a basic fee for the services is the basis for calculation of professional fees for the Engineer.

A review of invoices 4, 5 and 6 that were used for payment to the consultant established that a wrong basic fee was used in the calculation of fees. The basic fee used in the calculation of fees was M4,649,185.64 instead of the revised fee of M4,469,185.64 and resulted in an overpayment of M186,732 as shown in the table below.

**Table 37: Overpayment in invoices 4, 5 & 6**

<b>SN</b>	<b>Invoice No.</b>	<b>Fees claimed and paid, M</b>	<b>Auditor's assessment of fees, M</b>	<b>Overpayment, M</b>
1	4	3,059,165.95	2,906,291.95	152,874.00
2	5	503,506.80	484,012.80	19,494.00
3	6	371,005.01	356,641.01	14,364.00
<b>Total</b>				<b>186,732.00</b>

Use of wrong basic fee value resulted in an overpayment.

### **Recommendation**

The Chief Accounting Officer should ensure that the amount of M186,732.00 is recovered.

## **VI. Absence of a Design Report and Technical Specifications for the Works**

Clause 5.4.1 of the Terms of Reference in the contract document required the consultant to furnish the Client with a design report including all design calculations. In addition, Section 2.1.3(3) Board Notice 19, states that in the development of design and preparation of tender documentation, the Consultant shall prepare specifications for the works.

A review of the documentation availed revealed that there were no design reports and technical specifications for civil and structural work components on file. This called into question the assumptions upon which the different structural components were designed and later on implemented during construction.

### **Recommendation**

The Chief Accounting Officer should ensure the design reports and technical specifications are provided by the consultant as required by the contract as part of the completion stage.

For future projects, the consultants' deliverables should be tagged to payments.

### **VII. Certification of M186,684.30 without Evidence of Reported Progress of Work at Construction Phase**

Clause 6.4 of the Consultancy Services Contract states that Consultant shall submit to the Client for each month of engagement the monthly billing for services provided by the different personnel plus reimbursable costs.

A review of invoices 17 to 20 submitted between February and August 2021 revealed that M186,684.30 was invoiced and has been certified for payment and yet in the same period the Consultant did not record any progress of work to warrant such payment.

Furthermore, a review of a letter dated 30<sup>th</sup> June 2022 from Zutari indicated that the Consultant was owed M433,895.15 outstanding balance from Invoices 15 to 20. The details are shown in the table below.

**Table 38: Claims without evidence of work progress**

<b>Inv. No.</b>	<b>Proportion of Fees at Stage 5</b>	<b>% Claimed at Stage 5</b>	<b>% Progress Reported at Stage 5</b>	<b>Amount Claimed at Stage 5 (Incl. VAT), M</b>	<b>Invoicing Period</b>
15	20%	96,50	3,10	90,425.21	Dec 2020
16	20%	99,00	2,50	156,785.64	Jan 2021
17	20%	99,00	0,00	51,046.49	Feb 2021
18	20%	99,80	0,80	74,382.02	May 2021
19	20%	99,90	0,10	39,378.72	Jun 2021
20	20%	99,90	0,00	21,877.07	Aug 2021
<b>Total sum of Questionable Fees Demanded</b>				<b>186,684.30</b>	

This claim may result in financial loss of M186,684.30 to the client.

### **Recommendation**

The Chief Accounting Officer should ensure that the claims of M186,684.30 (Fee notes 17-20) are not honoured until the progress reported is verified by the Client. Furthermore, all payment claims should be reviewed and verified before payment.

#### **VIII. Failure by BDS to issue approval for the Variation in Scope of Services and Contract Price**

Clause 2.4 of the signed contract required that the terms and conditions to the contract including any modifications of the scope of services or contract price be made only by written agreement between the parties and would not be effective until consent of the GOL had been obtained.

Review of all the invoices up to August 2021 indicated that the professional fees had increased from M1,482,312.00 (Incl. VAT) in July 2009 to M13,820,096.01 (Incl. VAT) by 1<sup>st</sup> August 2021 indicating an increase in price by 840%.

Audit was not availed evidence of the justification for the increase in fees as contractually required and could not establish the basis of change in fees as there was no indication of change in scope of services.

Risk of financial loss to the client.

#### **Recommendation**

The Chief Accounting Officer should ensure that any variation in contract price is supported by approved scope changes that support the fees.

#### **IX. Revision of the payment terms without justification**

Clause 6.4 of the contract signed specified the schedule with which the consultant would be compensated as:

- a) 10% of the lump sum being paid at completion of the preliminary stage.
- b) 70% of the lump sum being paid at completion of the design and tender stage,
- c) 10% at completion of the practical completion stage and
- d) 10% after issuance of the final completion certificate.

A review of the invoices for the consultant indicated that the contractual payment terms were subsequently changed without varying of the contract clause. The payment terms in the invoices were based on the financial proposal by the consultant with fees based on cost of work as per Board Notice No.19 2008 hence changing the apportionment fees as shown in the table below.

**Table 39: Revision of payment terms in the contract**

SN	Contract apportionment and used in contract	Apportionments used in Invoices
1	Preliminary stage -10%	Preliminary design (30%)
2	Design and tender stage -70%	Design and tender (30%)
3	Practical completion -10%	Working drawings (15%)
4	Final completion -10%	Construction (20%)
5		Completion of services (5%)

As shown in the table above, the payment terms varied across the project implementation period without variation of the contract or justification.

This can lead to over or underpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the contract terms are complied with at all times.

### **X. Delayed payment to the Consultant resulting into M765,246.62 in interest charges**

Clause 6.5 of the SCC required payment to be made within 30 days of the receipt of the invoice and supporting documentation and within 75 days in the case of final payment. Furthermore, delays in payment by client would attract 3% interest per month or part thereof for each month that payment is outstanding.

Review of the Consultant's invoices established that there were delays in payment to the consultant ranging from 17 days to 231 days as shown in the table below. The delays attracted interest that was subsequently paid to the Consultant in invoice No. 6 and 10 of M765,246.62.

**Table 40: Delays in payments to the Consultant**

Inv oice No	Date Prepared	Date Approved	Amount Certified Inc. VAT, M	Voucher No	Date Prepared	Date Paid	Days with Client	Delayed (Days)
1	25/02/2010	03/03/2010	390.082,00	Not provided	Unknown	Unknown	NA	NA
2	27/02/2018	08/03/2018	3.600.420,23	19PV1004538	15/03/2018	16/03/2018	17	OK
3	07/04/2011	31/05/2011	444.693,71	Not provided	Unknown	30/06/2011	84	54
4	27/02/2018	08/03/2018	302.288,71	19PV1004538	15/03/2018	16/03/2018	17	OK
5	11/05/2011	24/05/2011	326.610,00	Not provided	Unknown	30/06/2011	50	50
6	27/02/2018	08/03/2018	432.624,67	19PV1004538	15/03/2018	16/03/2018	17	OK
7	18/06/2012	22/06/2012	3.059.165,95	19PV1002246	11/07/2012	11/07/2012	23	OK
8	31/05/2018	22/08/2018	912.748,03	19PV1004674	06/09/2018	06/09/2018	98	98
9	05/10/2012	16/10/2012	503.506,81	19PV1002374	25/10/2012	26/10/2012	21	OK
10	18/09/2018	11/10/2018	559.389,49	19PV1004726	02/11/2018	05/11/2018	48	48
11	04/02/2013	26/03/2013	371.005,01	19PVR1002629	30/04/2013	30/04/2013	85	85
12	30/11/2018	12/04/2019	527.141,83	19PVR20000080	11/07/2019	19/07/2019	231	231
13	19/08/2019	23/09/2019	626.274,72	19PVR20000218	30/10/2019	04/11/2019	77	77
14	07/02/2020	13/10/2020	163.375,49	19PVR21000232	04/11/2020	11/09/2020	217	217
15	28/04/2020	16/06/2020	386.494,83	19PVR21000071	15/07/2020	02/08/2020	96	96
16	28/04/2020	16/06/2020	426.377,44	19PVR21000071	15/07/2020	02/08/2020	96	96
17	25/06/2020	28/07/2020	197.622,88	19PVR21000143	26/08/2020	14/08/2020	50	50
18	27/07/2020	27/10/2020	28.440,18	19PVR21000231	25/11/2020	25/11/2020	121	121
19	31/08/2020	27/10/2020	94.800,62	19PVR21000231	25/11/2020	25/11/2020	86	86
20	28/09/2020	27/10/2020	139.283,99	19PVR21000231	25/11/2020	25/11/2020	58	58
21	04/12/2020	Unknown	90.425,21	Not provided	Unknown	Unknown	NA	NA
22	26/01/2021	Unknown	156.785,64	Not provided	Unknown	Unknown	NA	NA
23	03/03/2021	Unknown	51.046,49	Not provided	Unknown	Unknown	NA	NA
24	25/05/2021	Unknown	74.382,02	Not provided	Unknown	Unknown	NA	NA
25	23/06/2021	Unknown	39.378,72	Not provided	Unknown	Unknown	NA	NA
26	01/08/2021	Unknown	21.877,07	Not provided	Unknown	Unknown	NA	NA

This payment could have been avoided if the Client had paid in time as contractually provided.

This was a loss to Government.

**Recommendation**

The Chief Accounting Officer should ensure that payments to the Consultants are made in time as contractually required to avoid interest.

**XI. Inadequate Construction Supervision and Absence of Non-Conformance Instructions/Reports**

Section 5.7.4.7 of the Terms of Reference required the Consultant to coordinate and generally inspect the execution of the works for compliance with the Contract standards and Specifications at such intervals as the Consultant may deem necessary. In addition, the Consultant was required to issue instructions to the Contractor on behalf of the Client.

A review of the Structural Audit report prepared by Henry Fagan and Partners in March 2016 raised concerns related largely to workmanship of civil and structural works such as unsupported brickwork, steel beam in brickwork without corrosion protection, inadequate cover to concrete, plastering over brick to concrete junctions with gaps to allow for expansion, inaccurate concrete setting out among others. All these are considered by audit to be as a result of inadequate supervision or lack of it by the consultant.

There was no evidence on file to indicate that some of the findings by Henry Fagan were identified by the supervision consultant prior to the assessment and that non-conformance reports had been prepared to that effect.

This indicated inadequate construction supervision by the civil/structural consultant which could result in sub-standard workmanship as indicated in the assessment report.

**Recommendation**

The Chief Accounting Officer should ensure that there is adequate construction supervision by the consultant on the project in accordance with the contract requirements.

### **3.6 DYELEC (ELECTRICAL/MECHANICAL CONSULTANTS)**

This section presents the findings made relating to the Electrical/mechanical consultant on the construction of the New Royal Palace. The project has been assessed based on the following sub-headings;

#### **a) Contract Details:**

This gives a summary of the contract data for the contract.

#### **b) Scope of Services:**

This details the extent of services;

#### **c) Document Review:**

This presents findings from review of documentation availed.

#### **3.6.1 Contract details**

**Table 41: Contract Details**

<b>Project Name</b>	Proposed New Royal Palace of the Kingdom of Lesotho at Maseru for the Ministry of Public Works and Transport
<b>Client</b>	Ministry of Public Works and Transport
<b>Electrical/Mechanical Engineer</b>	Dyelec Lesotho Consulting Building Services and Electrical Engineers
<b>Contract Sign Date</b>	8 <sup>th</sup> July 2009
<b>Initial Contract Sum</b>	M3,508,920.00 (Incl. VAT);
<b>Initial Contract Sum</b>	M3,017,671.20 (Excl. VAT);
<b>Revised Contract Sum</b>	None
<b>Contract Duration</b>	Not Availed
<b>Initial Completion Date</b>	Not Availed
<b>Amount Certified–E/M</b>	M6,251,443.69 (Excl. VAT)
<b>Amount certified–PA/COW</b>	M4,763,052.50 (Excl. VAT)
<b>Total amount Paid</b>	M11,415,551.03 (Incl. VAT)

#### **3.6.2 Scope of work**

The design and supervision of electrical, electronic, mechanical and economically sound and prestigious royal palace.

### **3.6.3 Document review findings**

The documents reviewed included evaluation report for Dyelec, correspondences between the BDS and Dyelec during the project period, Invoices from Dyelec, contract between Dyelec and MoPWT. The following was observed.

#### **I. Incomplete contract document**

Clause 1 of the contract agreement indicated the documents deemed to form an integral part of the contract including the general conditions of contract, special conditions of contract, description of services (TOR), reporting requirements and remuneration, consultant's technical proposal, consultant's financial proposal, memorandum of understanding minutes of negotiation).

A review of the contract document availed to the audit team indicated lack of documentation forming part of the contract which included; incomplete terms of reference, no reporting requirements and remuneration schedule, no consultants financial and technical proposals, and no minutes of negotiation as part of the contract document. The documents could only be sourced in part as separate files in different communication correspondences between the client and consultant and not in their full forms as part of the main contract signed as shared. Government of Lesotho representative omitted these documents.

Absence of a complete contract document leads to failure to clarify the deliverables, roles and responsibilities of the different parties and may result in non-fulfilment of the project objectives.

#### **Recommendation**

The Chief Accounting Officer should ensure that a full contract document is signed, in place and contains all the documents forming the contract clearly defining the roles and responsibilities of the parties for reference.

#### **II. Adoption of South African based payment guidelines in Government of Lesotho contract**

Clause 4 (1) of the Government Procurement Regulations (2007) provided that all Procurement Units should apply Government Standard Conditions of Contract during procurement of any nature. Furthermore, Clause 64 of the 2007 Procurement Manual (Section 6.1) provided that the standard terms and conditions of contract of the Government of Lesotho should be a key consideration during



tender evaluation and that tenderers must accept the standard terms and conditions. The use of Lesotho Government Standard Terms and Conditions of Contract ensures that the law of Lesotho prevails.

A review of the contract documentation indicated that the Ministry of Public Works and Transport accepted payment terms proposed by the consultant based on South African Council Fees Structures for Professionals developed in accordance with the South African Engineering Professional Act of 2000 (Act No.46 of 2000). These professional fees structures were based on the construction works value which was contrary to the agreed lump sum contract price.

This was a disregard of the procurement regulations

Use of South African based laws and guidelines in Government of Lesotho contracts did not only result in unjustified increase in cost of professional fees without remedy but also when disputes arise between the consultant and the Client, the Government will have to seek recourse to courts of the Republic of South Africa which is likely to be more difficult and less favourable for the Government of the Kingdom of Lesotho.

### **Recommendation**

The Chief Accounting Officer should ensure that contracts are managed in accordance with applicable Government of Lesotho laws and regulations.

### **III. Omissions and deficiencies in the contract clauses/provisions**

Clause 2 of the contract agreement stated the mutual rights and obligations of the Client and consultants. The consultant would carry out the services and the Client would make payments to the consultants all in accordance with the provisions of the contract.

A review of the contract clauses established omissions and deficiencies in the contract provisions required for fulfilling each of their obligations as indicated below:

- Absence of priority/hierarchy in the documents forming the contract
- The Special Conditions did not specify the completion timelines
- Payment terms in the contract were conflicting with one-part stating that the payment terms were fixed and another indicating amounts would vary
- Professional liability amounts were not stated

All these clauses were omitted by BDS.

Omissions and deficiencies in contract clauses can lead to disputes in cases of conflicting clauses especially those pertaining to contract deliverables and payments.

### **Recommendation**

The Chief Accounting Officer should ensure that the contract document specifies the hierarchy of documentation forming the contract to avoid any disputes from conflicting clauses and that the contract clauses are reviewed to avoid omission of clauses necessary during project implementation.

## **IV. Lack of timelines for the services in the Contract**

The Procurement Manual of 2007 defines a contract period as the period of time laid down in a contract during which the goods, works or services specified in the contract are to be provided or completed. In addition, best practice in Construction Conditions of Contract (such as FIDIC conditions of contract Clause 4.2.1) requires that the Consultant commences the performance of the services after the commencement date and completes the whole services within the time for completion (time for Completion means time for completing the services calculated from commencement date).

A review of the signed contract showed that the contract did not state the time for completion of services with the consequence that the services contract was open-ended for as long as the prime contract was valid/active.

This clause was omitted and left to specify the timelines by BDS.

Lack of defined timelines leads to a risk of delaying delivery of the scope and consequently completion of the project.

### **Recommendation**

The Chief Accounting Officer should ensure that the contract specifies the timelines for delivering the consultancy services.

## **V. Absence of a design report prior to tender**

Clause 5.4.1 of the Terms of Reference in the contract document required the consultant to furnish the Client with a design report including all design calculations.

From the documentation availed, there was no evidence of a design report.

Absence of a design report leads to questioning the assumptions upon which the different equipment and capacities were based at tender and during construction.

### **Recommendation**

The Accounting Officer should ensure that design reports are prepared by consultants for approval by the Client before the tendering process begins.

## **VI. Variation of contract amount and time without following due procedure**

Clause 2.4 of the general conditions of contract required parties to modify the scope or works or contract only after a written agreement and with the consent of the Government of Lesotho. Furthermore, clause 6.1 of the contract stated that the consultant's remuneration would not exceed the contract price as it was a fixed lump sum and may only be revised in accordance with clause 2.4.

A review of the contract signed in 2009 indicated that the lump sum contract amount agreed for the services was M3,0170,000 (Excl. VAT) for the electrical mechanical services. However, upon review of the invoice No. 38, audit noted that M11,014,506.19 (Excl. VAT) had been certified and paid to the consultant. The change in fees was not supported by any agreed and approved variation by the parties to the contract.

This was disregard of the contract variation clause by BDS.

Increase in fees without justification in the form of modification as required by the contract terms lacks basis and results in payments that are not contractual.

### **Recommendation**

The Accounting Officer should ensure that any changes in contract prices are accepted in accordance with the contract requirements.

## **VII. Overpayment of M695,404.48 due to changes in stage apportionments to the consultant**

Clause 6.4 of the contract provided for a schedule of payments as 10%, 70%, 10% and 10% for all the stages up to completion.

A review of invoice 38 showed that the payment schedules used were 10%, 70%, 20% and 0% leading to an overpayment of M695,404.48 (Incl. VAT) from exaggeration of stage 3 by 10% as shown in the table below.

**Table 42: Overpayments due to changes in stage apportionments**

SN	Stages	Contract apportionment (%)	Apportionment in Fee note 38 (%)	Amount paid, M	Auditor's amount, M
1	Preliminary design stage	10	10	569,416.84	564,225.66
2	Design and tender stage	70	70	3,985,917.91	3,949,579.63
3	Construction and practical completion stage	10	20	1,138,833.69	552,941.15
4	Final completion stage	10	0	0	0
<b>Total</b>				<b>6,251,443.69</b>	<b>5,646,744.15</b>
<b>Overpayment (without VAT 15%)</b>					<b>595,885.74</b>
<b>Overpayment (with VAT 15%)</b>					<b>695,404.48</b>

The change in payment schedules contrary to the one provided in the contract led to a payment for services that had not yet been provided leading to overpayment which should be recovered from the consultant.

### **Recommendation**

The Chief Accounting Officer should ensure that the payment of M695,404.48 is recovered from the consultant.

### **VIII. Payment of M580,051.93 (Excl. VAT) for re-design works by the consultant without contractual basis**

Clause 3.3 -2 (b) of the TOPF (2008) provides that for additional services because of resumption of consultancy services or the alteration or modification of designs on the instructions of the Client, the Consulting Engineer is entitled to time-based fees and actual costs incurred.

A review of the invoices and payment vouchers showed that some electrical, electronic and mechanical works had been re-designed and payment of M580,051.93 (Excl. VAT) made to the consultant for re-

design. These fees were erroneously computed based on a methodology that used proportions of the original design fees as opposed to the time-based methodology provided for in the TOPF guideline. No basis was provided by the client or consultant for adopting the new procedure.

As a result of failure to use the recommended guideline, the payment of M580,051.93 (Excl. VAT) is questionable.

### **Recommendation**

The Chief Accounting Officer should ensure that any payments are based on the existing contract payment terms and conditions.

### **IX. Payment of M1,210,508.45 without any cumulative progress of works under supervision**

Clause 3.1 (11a) of the TOPF guidelines provides for fees that may be claimed after each stage or monthly as agreed between the consulting engineer and the client. The percentage fees are determined on the basis of the cost of works prevailing at the time of fee calculation and pro-rated to the completed service.

A review of the fee notes for the consultant indicated that the payments were made with no change in construction stage progress for the constructed works as shown in the table below.

**Table 43: Payments for works without progress of works**

<b>S N</b>	<b>FEE NOTE</b>	<b>FEE DATE</b>	<b>Progress (Construction)</b>	<b>Amount paid</b>	<b>Amount Payable</b>	<b>Overpayment (M)</b>
1	23	9/11/2018	62%	81,392.00	81,392.00	0
2	25	27/11/2018	62%	114,935.34	0	114,935.34
3	26	5/2/2019	62%	487,734.23	0	487,734.23
4	36	9/11/2020	98%	552,592.63	552,592.63	0
5	37	3/2/2021	98%	49,810.38	0	49,810.38
6	38	6/5/2021	98%	558,028.50	0	558,028.50
<b>Total</b>						<b>1,210,508.45</b>

The payments made to the consultant without any changed progress of works on site were unjustified.

### **Recommendation**

The Chief Accounting Officer should ensure that payments requiring progress of works are paid after evidence of works. Furthermore, the M1,210,508.45 paid without progress of work should be recovered.

### **X. Overpayment of M212,223.24 to the Consultant**

Section 606 (1) of the 1973 financial regulations provided for contract payments to have evidence of work done before any payments are made.

A review of the consultant's fee notes certified and paid revealed errors that led to a total overpayment of M212,223.24 as shown in the table below.

**Table 44: Overpayments from irregular payments**

<b>S N</b>	<b>Fee notes</b>	<b>Certified date</b>	<b>Irregular payment, M</b>	<b>Date of payment from SPS to Finance</b>	<b>Audit remark</b>
1	Disbu.18	9.11.19	13,242.46	28.1.2021	Double entry of the PA disbursement claims
2	Disbu.19		329.70	22.2.2021	Double entry of the PA disbursement claims
3	33	6.3.20	105,169.40	15.7.2020	Invoice 33 certified M657,049.80 but withholding tax certificate indicated an amount of M762,219.20 which was paid.
4	38	6.05.21	34,021.88	7.7.2021	Erroneously paid as VAT on the consultant's profit and handling fees in contravention of Section 5 (a & b), and section 7 a (1) & (2) of the VAT act (2001).
5	38	6.05.21	59,459.80	7.7.2021	Basic fees used for fees calculation was M5,694,168.44 instead of M5,642,256.61
<b>Total</b>			<b>212,223.24</b>		

The irregular payment of M212,223.24 led to financial loss.

### **Recommendation**

The Chief Accounting Officer should recover the overpayment of M212,223.24 from the Consultant.

### **XI. Undated second Memorandum of Agreement (MoA) for Provision of principal agency (PA) and Clerk of Works (CoW) services and increase in contract amount**

The Government of Lesotho and Dyelec Consulting engineers signed a Memorandum of Agreement on 29 May 2019 for additional services to include Clerk of Works (CoW) and Principal Agency (PA) services to December 2019. The memorandum of agreement was further revised in 2020 to cater for costs previously underestimated in the first agreement.

A review of the project documentation indicated that two memoranda were on file with the second succeeding the first. The second agreement revised the contract sum from M2,536,642.50 to M4,362,382.50 but it had no sign-off date.

Furthermore, the amounts in MoA 1 and 2 included values for services that were provided by a different agent in 2018 as the attached invoices showed.

Payments may be made for unapproved and unbudgeted services.

### **Recommendation**

The Chief Accounting Officer should ensure that any agreements that have financial implications have signing dates for veracity and setting the specific timelines for service provision.

## **XII. Absence of a professional indemnity for COW/PA services**

The Memorandum of Agreement between the Government of Lesotho and Dyelec required the sub-consultant to obtain and provide a professional indemnity. Furthermore, the contract TORs (3.4) required the consultant to cause the sub-consultant to take out and maintain insurance against the risks at own cost on terms and conditions approved by the client. At the client's request, the consultants would provide evidence that such insurance had been taken out and maintained and that current premiums had been paid.

There was however no professional indemnity for the PA services availed. This absence of professional indemnity exposes the Client to risk of poor or non-performance of services without cover.

**Recommendation**

The Chief Accounting Officer should ensure that the required professional indemnities are provided by consultants before being trusted with providing consultancy services.

**XIII. Payment of M5,491,426.46 for PA and CoW services**

Section 606 (1) of the 1973 financial regulations provided for contract payments to have evidence of work done before any payments are made.

A review of the payments indicated that M5,491,426.46 had been made for services related to PA and clerk of works. However, no deliverables were clearly identified upon which the payments were made to the consultant. The payments are therefore questionable.

Questionable payments lead to financial losses.

**Recommendation**

The Chief Accounting Officer should ensure that any payments to consultants are supported by time sheets and deliverables before they are effected.

**XIV. Absence of a sub-consultant contract for PA/CoW services**

Clause (b) of the increase in scope of works of the memorandum of agreement for additional services required the consultant (Dyelec) to subcontract for the PA services to a capable person who would be approved by the client.

A review of the documentation availed to the audit team indicated that the services already had a service provider, Mr Mohale, before signing the agreement for additional services with Dyelec. In addition, there was no evidence that the sub-consultant used had been procured using the government procurement laws of 2007 as required. Any payments made to the party were irregular.

In absence of the sub-consultancy contract, there was no basis for payment of M5,491,426.46 for the clerk of works and PA services by March 2022.

Payments without basis lead to financial loss.



### **Recommendation**

The Chief Accounting Officer should ensure that the consultants abide by the contract conditions for delivery of full services.

### **XV. Erroneous Basis of projected M&E fees for the new additional services – Palace resulting in potential overpayment of M2,135,867.60 (Excl. VAT)**

Dyelec Lesotho submitted projections to the Director BDS on 20 March 2024 indicating the following;

- M&E valuations (March 2022) M31,291,513.86
- Balance of M&E works (estimate) M18,894,874.84. **Total M&E works M50,186,388.7**
- Balance of M&E fees (an estimate) M2,158,644.28

Audit however noted that the latest fee note 38 dated 6 May 2021, had M&E works valued at M51,462,485.35 with estimated professional fees of M5,694,168.44.

M5,671,391.76 of the total fees had been paid at 98% completion of the construction stage which left an outstanding balance of M22,776.

This discrepancy was caused by not having a specified value of works supervised by the M&E.

In the event that the projection from Dyelec for professional fees of M2,158,644.28 is accepted, this will cause an overpayment of over M2,135,867.60 for supervising the outstanding M&E works.

### **Recommendation**

The Chief Accounting Officer should ensure that the payment for services in stage 1 and 2 is commensurate with the fees paid to avoid any overpayments.

### **XVI. Overpayment of M2,141,197.79 up to design and tender stages**

Clause 6.2 (b) of the special conditions of the contract between the Government of Lesotho (GOL) and Dyelec stated that the contract price was M3,508,920.00 (Incl. VAT) for the design and supervision of the Royal Place in Maseru. Furthermore, Clause 6.4 of the contract provided that the payment would be made according to the schedule as presented in the table below.

**Table 45: Fees schedule as per contract agreement with Dyelec**

Contract amount (Incl. VAT), M	3,508,920.00	
Contract amount (Excl. VAT), M	<b>3,017,671.20</b>	
Stages for services	<b>Proportion of fees</b>	<b>Fees, M</b>
Preliminary stage	10%	301,767.12
Completion of design and tender	70%	2,112,369.96
Issuance of Practical completion	10%	301,767.12
Issuance of completion certificate	10%	301,767.12

A review of invoice 38 dated 6th May 2021 indicated that the design component had already been fully completed with payment of **M4,555,334.75** (Excl. VAT) made. However, the signed contract agreement provided for payment of **M2,414,136.96** up to and including the design and tender. The extra payment of **M2,141,197.79** up to design and tender as shown in the table below was irregular.

**Table 46: Irregular payment of fees up to design and tender stages**

Stages in the contract	% Fees Proportion as Per contract	Contract fees (clause 6.4), M	Stages in invoice 5	% Fees	Fees Claimed in Invoice 38, M
Preliminary stage	10	301,767.12	Preliminary stage	30	569,416.84
Completion of design and tender	70	2,112,369.84	Design and tender	30	3,985,917.91
<b>Total</b>		<b>2,414,136.96</b>			<b>4,555,334.75</b>
<b>Variance in fees for design, M</b>			<b>2,141,197.79</b>		

This irregular payment resulted from disregard of the procurement process for consultants.

The extra payment for already completed and paid stages led to financial loss and should be recovered.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M2,141,197.79 is recovered.

### **3.7 WORKS CONTRACT: LSP CONSTRUCTION LTD**

This section presents the findings relating to the works contractor on the Construction of the New Royal Palace. The project has been assessed based on the following sub-headings.

**a) Contract Details:**

This gives a summary of the contract data for the contract.

**b) Scope of Works:**

This details the extent of works.

**c) Status of the Project at time of inspection:**

This presents the status of the works as observed by the audit team at the time of physical inspection of the works.

**d) Document review findings:**

This presents findings from review of documentation availed.

**e) Inspection of Works:**

This presents a summary of the observations made by the audit team during the physical inspection of the completed works.

**f) Quality of Works:**

This presents findings from the review of quality control procedures implemented on the project. In addition, the results from conformance checks undertaken by the audit team are presented.

**g) Quantity verification:**

This presents the comparison of the certified and paid quantities in the IPCS and measurements taken during the field inspection.

**h) Occupational Health, Safety, and Environment:**

This presents the findings made relating to fulfilment and implementation of OHSE protection measures.

### 3.7.1 Works contract details

The table below provides a summary of the works contract information as per documentation availed;

**Table 47: Works contract details**

<b>Funder/Client</b>	Government of Lesotho
<b>Client's Representative</b>	Ministry of Public Works and Transport
<b>Implementing Department</b>	Building Design Services
<b>Project</b>	Construction of the New Royal Palace of the Kingdom of Lesotho in Maseru
<b>Project Location</b>	Maseru - Lesotho
<b>Project/Contract Supervision</b>	Department of Building Design Services
<b>Works Contractor</b>	LSP Construction (PTY) Ltd
<b>Works Contract Number</b>	WKS/TP/31-2011/2012
<b>Original Works Contract Sum</b>	M 136,770,300.00 (VAT Inclusive)
<b>Current Contract Value as per LCA Updated Priced BoQs dated 28<sup>th</sup> February 2019</b>	M410,999,644.27 (VAT Inclusive) M358,814,874.97 (VAT Exclusive)
<b>Works Contract Type</b>	Admeasurement Contract
<b>Works Contract signing date</b>	August 2011
<b>Site Possession Date</b>	03 <sup>rd</sup> August 2011
<b>Construction start Date</b>	08 <sup>th</sup> August 2011
<b>Original Contract Duration</b>	92 Calendar Weeks
<b>Original Completion Date</b>	3 <sup>rd</sup> May 2013
<b>1<sup>st</sup> Work Suspension by BDS</b>	16 <sup>th</sup> April 2013 to 7 <sup>th</sup> June 2015
<b>Commencement of Construction works</b>	8 <sup>th</sup> June 2015 as per MOA 1 (dated 10/02/2016)
<b>1<sup>st</sup> Revised Completion Date</b>	21 <sup>st</sup> March 2018 as per Addendum A of MOA1 (dated 24/11/2016)
<b>2<sup>nd</sup> Revised Completion Date</b>	09 <sup>th</sup> September 2019 as per Addendum B of MOA1 (dated 14/09/2018)
<b>2<sup>nd</sup> Work Suspension by BDS</b>	10 <sup>th</sup> September 2019 to 2 <sup>nd</sup> May 2021
<b>Commencement of Construction works</b>	03 <sup>rd</sup> May 2021 as per MOA 2 (dated 03/05/2021)
<b>3<sup>rd</sup> Revised Completion Date</b>	02 <sup>nd</sup> July 2022 (14 months from MOA 2 signature)
<b>4<sup>th</sup> Work Suspension by BDS</b>	3 <sup>rd</sup> July 2022 – To date
<b>Defects Liability Period</b>	18 months
<b>Amount of Retention Money</b>	10% value of works
<b>Amount certified (By IPC 84)</b>	M311,462,567.25 (Excl. VAT) M354,983,809.01 (Incl. VAT)
<b>Time lapsed</b>	100%
<b>Financial progress (IPC 84 of 23 June 2021)</b>	86.8%

### 3.7.2 Scope of works

#### **Original scope of Works Contract**

Erection and Completion of the New Royal Palace at Maseru comprised of the following activities;

- Preliminaries
- Building works
- Site works
- Special installations
- Provisional sums

### **Revised scope of work –Memorandum of Agreement 1;**

- Boundary Wall between Main Palace and Staff Residence
- Guest House and Tennis House
- Main Palace
- Old Chapel
- Site Works and preparatory works for landscaping
- Alterations and Refurbishment to Boundary Wall

### **3.7.3 Status of the Works**

A review of the project status report dated 25<sup>th</sup> January 2023 prepared by MRG-LMJ JV indicated that only Tennis House and Court were fully completed while the Main Palace building was at 70% progress as shown in the table below.

**Table 48: Status of works progress as reported by MRG-LMJ JV**

<b>Work Component</b>	<b>Level of Completion reported</b>
Main Palace Building	70%
Guest House	75%
Guard House (3)	90%
Tennis House & Court	100%
Old Chapel	45%
New Chapel	Least advanced in terms of both design and construction works. Piling design does not match the layout of the building
External Works	No design work undertaken. Completion of boundary wall to be addressed

A site inspection was conducted from 16<sup>th</sup> to 31<sup>st</sup> October 2024. At the time of inspection, there were no on-going civil works on site but rather activities related to housekeeping were observed. The status is as shown in the following pictures.

**Table 49: Status of works at the New Royal Palace**

	
<p><b>The New Lesotho Royal Palace - Front view</b></p>	
	
<p><b>Side View of the Royal Palace</b></p>	<p><b>Back View of the Royal Palace</b></p>





**Tennis Court**



**Tennis House**



**Guest House**



**Guard House**



**Gate Houses**



### **3.7.4 Document review findings**

The following documents were availed for review; Works contract, memorandum of agreements (dated 10 February 2015, 24th November 2016, 14th September 2018, and 3rd May 2021), Contractor's progress reports, correspondences between Client, the works contractor and the consultants, Contractor's claims, 84 Interim Payment Certificates, Drawings, and the Bills of quantities. The following was observed.

#### **I. Adoption of outdated conditions of contract for the works**

Section 6.6 of the Procurement Manual (2007) provides guidance on the use of Conditions of Contract in respect of procurement of Works and Construction. The Unit is advised to use either internationally accepted models such as FIDIC suite of contract or the New Engineering Contract (NEC) of the UK or World Bank forms or the terms and conditions for goods and services in the manual as a checklist.

A review of the works contract indicated that the 1979 Government of Lesotho conditions of contract were adopted and yet by 2011 there were more elaborate forms of contract recommended for use such as the FIDIC suite that could have been adopted for conditions of contract for building and engineering works designed by the Employer or their representative.



The conditions of contract adopted lacked several aspects required for good project implementation and management that are envisaged by the newer contract models stated above. These included

- The special conditions of contract were not linked to the general conditions of contract used.
- The provision for a hierarchy in documentation forming the contract
- Provision of price escalation conditions and the formula
- The provision of value engineering in executing variations initiated

As a result of using the outdated Conditions of Contract, there was no hierarchy of documentation in cases of conflict in Contract Clauses, no limits to the maximum variations acceptable for the contract, no formula for price escalations and no encouragement of value engineering in implementation. This affected project performance by delaying the completion due to increasing scope and costs from alterations and modifications without limit.

### **Recommendation**

The Chief Accounting Officer should ensure that all procurements of public works, goods and services adhere to the procurement guidelines and adopt & use the latest forms of contract conditions.

## **II. Irregular payment of M3,170,476.1 on the new chapel for Substructure Piling Works**

Clause 3 of the General Conditions of Contract required the Contractor to properly execute the works in accordance with the true intent of the bills of quantities, drawings and specifications.

Audit was not availed the Architectural drawings and specifications for the New Chapel building although IPC 84 indicated payment of M5,670,476.1 for the piling works. Furthermore, a review of the status progress report by MRG-LMJ JV on 25 January 2023 indicated that the Chapel designs were complete and piling work done though the piling design did not match the layout of the building.

Moreover, a letter from BDS to LSP dated 22<sup>nd</sup> January 2021 indicated that the approved contract sum for all piling works was M2,500,000.00.

Audit could not establish the basis for the extra M3,170,476.1 paid for the piling works without approved drawings which is therefore considered irregular.

### **Recommendation**

The Chief Accounting Officer should ensure that any variations in costs of additional works sanctioned by consultants are approved by BDS before the instruction to proceed is issued to the Contractor.

### **III. Absence of determination of Extensions of Time and Delayed completion of the project**

Annexure A (8) of the Special Conditions of Contract (SCC) for the building contract specified the completion date as Friday 3rd May 2013 representing a contract period of 92 calendar weeks (21 months). Further Clause 18 of the General Conditions of Contract (GCC) required the contractor to complete the works within the stipulated time unless extension is granted in accordance with GCC 20.

The memorandum of agreement (1) dated 10<sup>th</sup> February 2016 indicated that the works had been suspended on or about 16 April 2013. This was less than a month before the intended initial completion date.

Further review of the memorandum of agreement 1 (Addendum A and B) indicated that the completion timelines were revised to 21<sup>st</sup> March 2018 and later to 9<sup>th</sup> September 2019 which was still not achieved. Following these failures, memorandum of agreement 2 was signed which revised the completion date to 2 July 2022 that was also not achieved.

Audit was not availed evidence of determination of the multiple time extensions in accordance with the Contract.

In the absence of determinations by the Architect, the extensions of time lacked basis and were questionable.

### **Cause**

Multiple extensions of time without determination.

### **Impact**

Extensions without determination had a risk of not relating the outstanding works to the additional time provided. Additionally, as a result of the failure to complete on time, suspension and subsequent resumption of works resulted in price escalations that were not applicable within the original completion period, deterioration of

previously completed works that have to be redone at an additional cost, extra costs from recruiting new personnel, and increased costs of time related preliminaries. Their Majesties have not been able to live in their facility in 13 years after the commencement of works.

### **Recommendation**

The Chief Accounting Officer should ensure that the contractual timelines are adhered to by the contractors and consultants to achieve timely completion of the projects. Furthermore, any time extensions should be determined before they are approved to avoid perpetually running projects. Also, liquidated damages should be enforced for failure to complete on time.

### **IV. Overpayment of M3,870,488.92 (Excl. VAT) due to incorrect computation of the Preliminaries and General items**

Clause 10 (Option A) of the JBCC Principal Building Agreement Ed 6.0 requires that payment of preliminaries be assessed the by principal agent, amount prorated as preliminaries to the contract sum, (Incl. VAT), excluding preliminaries/contingency sum/ (Price Adjustments). In the event of any adjustment of preliminaries in Option A, the contractor is to provide a tabulated breakdown within twenty-one (21) calendar days of site possession showing:

- ***Amount which shall not be varied***
- ***Amount varied in proportion of contract value to contract sum***
- ***Amount varied in proportion to the construction period compared to the initial construction period for which the contractor is not entitled to an adjustment***

Furthermore, Clause 55 (1,2,3) of the Procurement Manual of 2007 provided that the contract price should be unchanged for a period of 2 years and thereafter can be reviewed with the contract price changing by the percentage established from the same index base used 12 months earlier and this should not be done retrospectively.

A review of the payment certificates, audit noted incorrect computations of Preliminaries because of the following errors.

- ***The signed contract amount was M136,770,300.67 and not the 136,741,775.20 used in the computations;***

- ***Use of an escalation rate of 130.48% from 8 June 2015 to 30 June 2017 instead of 124.26%;***
- ***Use of an escalation rate of 142.23% from 1 July 2017 to 31 July 2020 instead of 135.37%.***
- ***Some of the items that were marked as fixed in the Contract document were being calculated as Time related preliminaries (such as Setting out of works and Ablutions for Consultants offices);***
- ***The prorated Fixed items total value was inclusive of the original fixed value amount of M7,845,955 which should have been deducted;***

As a result of the incorrect computation of the preliminaries from August 2011 to 31<sup>st</sup> July 2020 as per the last paid IPC 84, an overpayment of M3,870,488.92 was made as shown in the tables below.

**Table 50: Overpayment from time-related obligations**

Sn	Description	Valued Amount, M	Auditor's recalculation, M	Variance, M
1	Original P&Gs	17,878,504.46	17,878,504.46	
2	Contract Overrun Time P&Gs (Prior to negotiations)	4,367,365.44	4,186,275.38	181,090.06
3	Negotiated Time P&Gs (up to 8th June 2015)	4,048,449.16	4,048,449.16	
4	New Time Related P&Gs from 8th June 2015	12,583,857.26	11,486,818.00	1,097,039.26
5	New Time Related P&Gs from 1st July 2017	20,317,726.43	18,642,805.95	1,674,920.48
	<b>Total</b>	<b>59,195,902.76</b>	<b>56,242,852.96</b>	<b>2,953,049.80</b>

**Table 51: Overpayments from Fixed obligations**

Description	Original Fixed P&Gs, M	Fixed P&Gs-Term 2, M	Fixed P&Gs-Term 3, M	Auditor's recalculation, M	Variance, M
Examination of drawings, sites, etc	90,000.00	91,615.76	153,747.23	63,747.23	181,615.76
Work Permits	5,000.00	7,845.87	12,027.48	7,027.48	12,845.87
Plant and Equipment	1,445,955.00	722,977.50	722,977.50	722,977.50	722,977.50
<b>Total</b>	<b>1,540,955.00</b>	<b>822,439.12</b>	<b>888,752.21</b>	<b>793,752.21</b>	<b>917,439.12</b>

This overpayment led to financial loss.

### **Recommendation**

The Chief Accounting Officer should ensure that the M 3,870,488.72 overpaid to the Contractor on preliminaries is recovered.

#### **1. Absence of evidence of measurement of works in the payment certificates**

Clause 25 (1,2a) of the General Conditions of Contract provided that the Contractor was entitled to receive from the Architect interim certificates stating the amount due and payment within 14 days with the amount due being a reasonable estimate of the total value of work duly executed and materials and goods delivered on site for the works after the assessment. Furthermore, Clause 9 of the notes to tenderers in the contract specified that works on site would be measured upon execution and completion.

A review of the interim payment certificates (IPCs) and payment vouchers showed no evidence of measurements for the executed works prior to payment. Audit could not establish how the payments made to the contractor were arrived at and the basis for the payments.

Failure to prepare the measurement sheets for the works being paid during the certification of works can lead to payment for unexecuted works, under or over payments and financial loss as evidenced in section of quantity verification.

### **Recommendation**

The Chief Accounting Officer should ensure that all quantities are measured before any payments are made to contractors.

#### **V. Amendment of the contract without a schedule of works execution**

Clause 37(2f) of the Public Procurement Regulations of 2007 required that a contract should contain a schedule of execution of works.

A review of the Memorandum of agreement (MoA 1) signed on 10 February 2016 lacked the schedule for execution of works. The following deficiencies were observed in the agreement

- There was no defined completion date. The recommencement of works on site was 8<sup>th</sup> June 2015 yet the agreement was signed in February 2016 and the anticipated completion **was to be determined** after the submission of final working drawing by the Architect in April 2016.

- There were no working drawings and works value could not be known by the parties of the contract despite a contract price being included.
- There was no breakdown of the specific tasks to be executed for different sections of the works.

Absence of a works schedule due to lack of drawings led to unclear completion timelines.

### **Recommendation**

The Chief Accounting Officer should ensure that the Contractor presents a programme of works before commencement of any works.

### **VI. Overpayment of M30,256,518.77 (Excl. VAT) for maintenance of an irregular Performance Guarantee after June 2015**

Part 4 of the Special Conditions of Contract signed in August 2011 required the Contractor to provide a performance security to the value of 10% of the contract sum. In addition, section 31.1 (6) of the Procurement Manual (2007) required unconditional and irrevocable performance guarantees to be provided by a Bank.

A review of the contract documentation revealed the following

- A deed of suretyship that was conditional was provided by Alliance Insurance Company (Ltd) instead of an unconditional and irrevocable performance Bank guarantee. M30,256,518.77 was paid to the Contractor for guarantees under item P16a of the preliminaries in IPC 84.
- The submitted surety deed erred in stating that the building contract required a "deed of suretyship". The submitted deed had no clauses relating to un-conditionality and irrevocability as a requirement for this contract.
- Clause 7.1 of MOA 2 (03/05/2021) required the contractor to submit a performance guarantee to the value of 10% of the outstanding contract amount. There was no evidence of a valid performance guarantee on file.

Payment for guarantees without evidence of a valid one was irregular and exposed the Government to financial loss. In addition, in the

absence of a valid performance guarantee, there is a risk of non-performance by the contractor without remedy.

### **Recommendation**

The Chief Accounting officer should ensure that the Contractors comply with the requirements per procurement manual (2007) on provision of valid performance guarantees during the whole construction period. The payment of M30,256,518.77 should be recovered.

## **VII. Overpayment of M1,336,901.89 due to errors in certification of IPC 51**

Clause 25 (1,2) of the GCC entitles the contractor to receive from the Architect interim certificates monthly stating the amount due that includes the total value of the work duly executed and the materials and goods delivered on site for use in the works. The certified amount to be paid should be less any amount to be retained and less any amount previously certified.

A review of the valuations up to and including IPC 51 indicated an error in the figure used for previously certified amounts. This was a result of

- ***A reversal of the materials off site for the sum of M19,179,772.93 in IPCs 48B, 50 and 51. However, during the reversal, the amount of M2,355,066.81 for Aluminium and Allied (Aluminium shopfronts and Windows) and M521,899.13 for profit and attendance were deducted as well and yet they were not part of the materials off site.***

Upon recalculation of the amount payable to the Contractor, M1,336,901.89 was determined to have been overpaid on IPC 51 as shown in **Appendix 3**.

Errors in certificates led to overpayments.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayment of M1,336,901.89 is recovered from the Contractor.

## **VIII. Payment of M2,332,413.63 for Work done while works were suspended**

Clause 1 (a) of the General Conditions of Contract provided that the contractor shall carry out and complete the works in accordance with

the contract in every aspect in accordance with the directions and to the reasonable satisfaction of the Architect.

A review of MOA-1 indicated that works were suspended between the period of March 2013 and May 2015 and set the effective recommencement of works to 9<sup>th</sup> June 2015. In this period where the works were suspended, audit observed that payments of M2,332,413.63 for works were made to the Contractor from IPC 22 to 31a as shown in the table below.

**Table 52: Payments made during period of suspension of works**

		Valuation 22	Valuation 30	Variance
Bill No.	FINAL SUMMARY			
		30th May 2013	12th December 2014	
2	Building Works			
	Precast Concrete	38,629.00	42,141.60	3,512.60
	Masonry	3,491,610.70	4,010,273.14	518,662.44
	Plastering	891,895.19	968,716.42	76,821.23
	Plumbing and Drainage	245,847.77	267,023.12	21,175.35
6	Site Works			
	Provisional Amounts	770,134.63	1,209,386.97	439,252.34
4	Special Installations			
	Domestic hot, cold and fire water	921,895.93	1,167,734.85	245,838.92
	Schedule of Additional Work	13,964,790.13	14,991,940.88	1,027,150.75
	Value of works	20,324,803.35	22,657,216.98	2,332,413.63
Amount paid for Works during suspension period				<b>2,332,413.63</b>

Payment for works in a period where the works were suspended is questionable.

### **Recommendation**

The Chief Accounting Officer should ensure that the payment of M2,332,413.63 is recovered from the Contractor.

### **3.7.5 Quality of works**

#### **I. Absence of Quality Control and Assurance Plans**

Section 14.2 (7) of the Procurement Manual of 2007 recommends that a supplier should have a quality plan in place specific and tailored to the project to ensure that the goods, works and services received by Government are fit for purpose for which they are intended and satisfy the needs of the user. Furthermore, it provides that the quality plan is required where the requirement is particular complex, critical interface and is fundamental to safety.



A review of the building contract revealed that there was no requirement of the contractor to provide a quality control plan as part of the quality management plan and it did not appear among the documents availed for review. The consultants were also not required to provide quality assurance plan after review of the Contractor's plans.

The absence of the requirement for quality control and assurance plans in the contracts denies the Client of the means to check how quality is achieved.

### **Recommendation**

The Chief Accounting Officer should ensure that the Contractors present quality control and assurance (QA/QC) plans based on the specifications and quality requirements from the Client.

## **II. Absence of some material test results**

A review of the materials test results on file showed that concrete tests (compressive strength, slump), Road fill (G6/4), Soil tests for the Parking area and Access Road, Soil tests on road parking backfill, Soil Density tests on the Tennis Court, Pile integrity tests, were conducted and on file.

There were no test results on file for other materials like aggregates, steel, sand, cement used in construction.

Failure to test materials may lead to use of substandard materials in permanent works.

### **Recommendation**

The Chief Accounting officer should carry out independent checks to ensure that all materials used in permanent works meet the specifications and standards.

## **1. Field (On-site) and laboratory tests**

At the time of the Audit, no field tests were undertaken. There were no materials on site to enable sampling for conducting laboratory tests.

### **III. Conformance of Site Works to Specifications as per BoQs and drawings**

Clause 3 of the General Conditions of Contract required the Contractor to properly execute the works in accordance with the true intent of the bills of quantities, drawings and specifications.

The audit team undertook an assessment of a sample of the work items executed to check for their conformance to design drawings and specifications. The results of the assessment are presented in the table below.

**Table 53: Conformance of Executed Works to specifications and drawings**

<b>Sn</b>	<b>Item description</b>	<b>Specification as per drawing/BoQ</b>	<b>Audit Finding</b>	<b>Remarks</b>
	<b>Roof Scape</b>			
1	Garapa treated timber slats fixed to steel	152 x 50mm @ 500mmc/c	Untreated 140 x 40mm @ 500mmc/c	Not Conforming
2	Garapa treated timber slats fixed to steel	152 x 50mm @ 600mmc/c	Untreated 140 x 40mm and 130 x 40mm @ 350mm c/c	Not Conforming
3	100mm deep gravel on roof	100mm	60mm thick	Not Conforming
4	Brick parapet	700mm high brick parapet wall on 300mm rc upstand	Average 1000mm high brick parapet wall on 300mm rc upstand	Conforming
5	Stonecast M009 custom cement/fiberglass planter box	1200(l) x 500(w) x 1000(h)mm	1200(l) x 500(w) x 1000(h)mm 1030(l) x 500(w) x 1000(h)mm	Conforming Not Conforming
6	Stonecast M009 custom cement/fiberglass planter box	1650(l) x 500(w) x 1000(h)mm	1650(l) x 500(w) x 1000(h)mm	Conforming
7	Stonecast M009 custom cement/fiberglass planter box	2000 x 500 x 700mm High	2000(l) x 500(w) x 700(h)mm	Conforming
8	Timber Decking	19 x 90mm Solid Garapa Timber Decking	19 x 90mm Solid Timber Decking	Conforming
9	Timber Screen	150x50mm Garapa untreated timber battens	130x40mm at 200mm spacing c/c	Not Conforming
10	Steel Posts	100mm x 100mm SHS Posts	100mm x 100mm SHS Posts	Conforming
11	Braai Area	1275 x 910 x 530mm deep into brickwork	1520 x 580 x 550mm deep	Not Conforming
12	Timber Pergola	152 x 50mm Garapa treated timber slats @ 500mm c/c	140x40mm Untreated timber	Not Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
13	Timber Pergola	152 x 50mm Garapa treated timber slats @ 500mm c/c	130 x 40mm	Not Conforming
	<b>First Floor</b>			
	Aluminum Shopfronts			
14	SF-45 Small Dining Terrace	Shopfront 3850 x 2955mm high	2790 x 2960mm	Not Conforming.
15	SF-46A Small Dining Terrace	Shopfront 4910 x 3210mm high	5050 x 3230mm high	Conforming
16	SF-46B1/2 Family Dining Room	Shopfront 3608/2430 x 3210mm high	3600/2010 x 3250mm	Not Conforming.
17	SF-46C Family Lounge	Shopfront 2730 x 3210mm high	3220 x 3190mm	Conforming
18	SF 46E Family Lounge	Shopfront 2760 x 3210mm high	2170 x 3190mm	Not Conforming.
19	SF 46F-Family Reading Room	Shopfront 3283/2189 x 3210mm high	3240/2190 x 3210mm high	Not Conforming
20	SF 46D-Family Reading Room	Shopfront 3109 x 3210mm high	2960 x 3210mm high	Not Conforming
21	SF 57-60-Kitchen, Scullery, Their Majesties Private Lounge	Shopfront 800 x 3210mm high	730 x 2950mm and 700 x 3220mm high	Not Conforming
22	SF 56-Guest Lounge	Shopfront 924 x 3210mm high	820 x 2960mm high	Not Conforming
23	SF 51-Main Bathroom	Shopfront 900 x 3000mm high	820 x 2900mm high	Not Conforming
24	SF 52-Main Bathroom	Shopfront 900 x 3265mm high	800 x 2980mm high	Not Conforming
25	SF 67/69, 66/68-Kids Bathroom	Shopfront 600 x 3210mm high	530 x 2950mm high	Not Conforming
26	SF-74 Majesties Bathroom	Shopfront 4243 x 3265mm high	4430 x 2500mm high	Not Conforming
27	SF 42/40-Bedroom 02/04	Shopfront 3623 x 3444 mm high	2980 x 2450mm and 3060 x 2450mm	Not Conforming
28	SF-77 –Majesties Bathroom	Shopfront 2200 x 3265mm high	2000 x 3210mm high	Not Conforming
29	SF-38-Guest Bedroom 01	Shopfront 2278 x 3210mm high	3520 x 2450mm high	Conforming
30	SF-43- Kids Bedroom 01	Shopfront 3150 x 3265mm high	3200 x 3170mm high	Not Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
31	SF-47-Art Lounge	Shopfront 3518 x 3210mm high	3440 x 3200mm high	Not Conforming
32	SF-83a-Kids Corridor	Shopfront 1100 x 3035mm high	1080 x 3210mm high	Not Conforming
33	SF-83c-Kids Corridor	Shopfront 2000 x 3035mm high	1430 x 3210mm high	Not Conforming
34	SF-54- Kids Study Area	Shopfront 2932 x 3210mm high	2850 x 2400mm high	Not Conforming
35	SF-55-Guest Lounge	Shopfront 3937 x 3210mm high	3900 x 2620mm high	Not Conforming
36	SF-49-Main Bedroom	Shopfront 961 x 2345mm high	890 x 2980mm high	Not Conforming
37	SF-50	Shopfront 956 x 2080mm high	880 x 2980mm high	Not Conforming
38	SF_03 Service Scullery, Kitchen, Main Family Corridor	Allandel or equally approved fire-rated class A single leaf timber door clad both sides with American Oak Veneer (SF_03) Door 813 x 2032mm high	Solid Hardwood door clad with American Oak Veneer 750 x 2360mm high	Not Conforming
39	Hula bond Cladding	534 x 3260mm High cladding (Kids Wing/2)	580 x 3220mm high	Conforming
40	Hula bond Cladding	1040 x 3260 mm High cladding (Kids Wing/1)	920 x 3220mm high	Not Conforming
41	Hula bond Cladding	1100 x 3890mm High cladding (SF10)	1020 x 3780mm high	Not Conforming
42	Hula bond Cladding	1180 x 3210mm High cladding (SF46)	1100 x 3220mm high	Not Conforming
43	Hula bond Cladding	1500 x 3260mm High cladding (Kids Wing/3)	1600 x 3220mm high	Conforming
	Lift Lobby			
44		Fixed panel 885 x 2555mm high	960 x 2180mm high	Not Conforming
45		Fixed panel 885 x 1270mm high	1000 x 1550mm high	Conforming
	Kids Bathrooms			
46	Water Closet	Pura Vida Wall Mounted Toilet [Code 221909]	Pura Vida Wall Mounted Toilet	Conforming
47	Actuator	Geberit Sigma 30 Dual Flush Actuator [115.777.11.1]	Geberit Sigma 30 Dual Flush Actuator	Conforming
48	Shower Drain	Geberit Shower Drain d90 with	Geberit Shower Drain d90 with	Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
		Ready-To-Fit Set, Adaptor PVC [150.679.21.1]	Ready-To-Fit Set, Adaptor PVC	
49	Bath	Duravit Starck Oval, freestanding, 1800 x 800mm	Duravit Starck Oval, freestanding, 1800 x 800mm	Conforming
50	Bath Mixer	Bongio bath mixer to the floor [Code 32534CR]	Bongio bath mixer to the floor	Conforming
	<b>Their Majesties Bathroom</b>			
51	WC	Flaminia Link 5051 Wall Hung WC	Flaminia Link 5051 Wall Hung WC	Conforming
52	Beauty Fires	double sided vent free gas fireplace with 1200 gas surround 1700 x 550 x 400mm high with glass fronts.	Family Lounge: 1340 x 490 x 700mm high Dining 1380 x 490 x 740mm high	Conforming Conforming
	<b>Ground Floor</b>			
53	Square hollow section columns	285 x 285 x 8mm x 72 kg/m	300 x 300mm SHS	Conforming
	Aluminum Shopfronts			
54	SF-24-West Corridor 2	Shopfront 800 x 3876mm high	830 x 2530mm high	Not Conforming
55	SF-19/20-Foyer	Shopfront 1815 x 3876mm high	2150 x 2990mm high	Not Conforming
56	SF-32-Waiting Lounge 1	Shopfront 5223 x 3876mm high	4790 x 2440mm	Not Conforming
57	SF-33-Waiting Lounge 2	Shopfront 5223 x 3876mm high	5200 x 2400mm	Not Conforming
58	SF-13-Kings Family Room	Shop Front 4800 x 2829 mm high	4800 x 2890mm	Conforming
59	SF-26/27-Security Room	Shopfront 600 x 3876mm high	565 x 3710mm	Not Conforming
60	SF-28/29-Driver & Security Office	Shopfront 1000 x 3876mm high	970 x 3760mm	Not Conforming
61	SF-17/21-Security Room & Cloak Room	Shopfront 1495 x 3847mm high	1230 x 3000mm	Not Conforming
62	SF-36 His Majesty's Secretary & Kings Office	Shopfront 4233 x 3949mm high	1230 x 3000mm	Not Conforming
63	SF-84-Service Corridor	Shopfront 1145 x 3825mm high	880 x 3310mm high	Not Conforming
64	SF-81-Bar Toilet	Shopfront 900 x 3876mm high	840 x 3460mm high	Not Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
65	SF-71/72-Female and Male Ablutions	Shopfront 405 x 3875mm high	530 x 3820mm high	Ok
66	SF-06-Laundry Drying Area	Shopfront 1000 x 3875mm high	970 x 3420mm high	Not Conforming
67	SF-25-Staff Dining	Shopfront 1190 x 1565mm high	1200 x 1350mm high	Not Conforming
68	SF-23-Staff Dining	Shopfront 4887 x 3876mm high	2320 x 3140mm high	Not Conforming
69	S_07- Female & Male Ablution	44mm Door 950 x 2400mm high	1000 x 2360mm high	Conforming
70	SF_03 Service Scullery	Shopfront 4887 x 3876mm high	2320 x 3140mm high	Not Conforming
	<b>Ablutions</b>			
71	WC	Pura Vida Wall Mounted Toilet-Duravit [Code 221909]	Duravit	Conforming
72	Actuator	Geberit Sigma 30 Dual Flush Actuator [115.883.KM.1]	Geberit Dual Flush	Conforming
73	Urinal	DURAVIT Urinal 700 (h) x 300 (d) x 235 (w)	Duravit urinal	Conforming
	<b>Change Rooms</b>			
74	WC	Vaal Charisma Wall Hung Pan - [Code 439700]	Vaal wall hung	Conforming
75	Kings Office Toilet	Flaminia Link 5051 Wall Hung WC 415 (h) x 560 (l) x 360 (w)	Flaminia Link 5051 Wall Hung WC	Conforming
76	Actuator	Geberit Sigma40 flush plate for dual flush systems with trap Glass black / brushed aluminium [115600SJ1]	Geberit Sigma40 flush plate for dual flush	Conforming
77	Beauty Fires	Double sided vent free gas fireplace with 1200 gas surround 1700 x 550 x 400mm high with glass fronts.	Family Room 1490 x 560 x ...mm high	Not Conforming
	<b>Lower Ground Floor</b>			
	<b>Aluminium Shop Fronts</b>			
78	SF (LG)-01-Gym	Shopfront 3437 x 4989mm high	3380 x 4860mm high	Not Conforming
79	SF 03 Squash Court	Shopfront 6394 x 4000mm high	6380 x 2130mm high	Not Conforming
80	SF 05-Jacuzzi Spa	Shopfront 8430 x 5208mm high	8420 x 4920mm high	Not Conforming
81	SF 89-Spa Salon	Shopfront 4780 x 4130mm high	4440 x 4610mm high	Not Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
	Change Rooms			
82	WC	Pura Vida Wall Mounted Toilet [Code 221909]-Duravit	Duravit Toilet	Conforming
83	Actuator	Geberit Sigma 30 Dual Flush Actuator [115.883.KM.1]	Geberit Sigma 30 Dual Flush Actuator	Conforming
84	Braai Area	1500 Super Delu braai or similar approved braai unit of 1600 x 925 x 605mm deep	1490 x 940mm	Not Conforming
	<b>Guest House</b>			
	<b>Doors</b>			
85	FF 18A	Frame for door 1400 x 2076mm high (E.FF 18A)	1390 x 2090mm high	Conforming
86	GF 8A & 8C-Lobby	270 x 42mm Approved "Walnut" timber frame (E.GF8A & E.GF8C) 1400 x 2400mm	1340 x 2410mm high 250mm Timber frame	Conforming
	<b>Guest WC</b>			
87	Shadow line skirting	75 x 20 x 5mm unequal leg aluminium angle	60mm Skirting	Not Conforming
88	WC	Pura Vida Wall Mounted Toilet-Duravit [Code 221909]	Pura Vida Wall Mounted Toilet-Duravit	Conforming
89	Actuator	Geberit Sigma 30 Dual Flush Actuator [115.777.11.1]	Geberit Sigma 30 Dual Flush Actuator	Conforming
90	HWB	Duravit Vero Counter Basin White [#04526008]	Duravit Vero Counter Basin White	Conforming
91	Taps	Bongio T Cross Range Wall Basin Mixer with spout 220mm [Code 30538/22]	Bongio Basin Mixer	Conforming
	<b>Bathrooms (Main &amp; Guest)</b>			
92	Shower head	Bongio ROUND SHOWER HEAD [Code 880]-300mm dia.	Bongio Shower Head	Conforming
93	Shower Mixer	Bongio T Minimix [Code 32524CR] Basin Mixer with Extension	Bongio Basin mixer	Conforming
94	Bath	Duravit Starck rectangle, 1700 x 900mm	Duravit rectangle 1700 x 900mm	Conforming

Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
95	Bath Mixer	Bongio T Mix [Code 32531/D] Deck Bath Mixer with Hand held shower only	Bongio bath mixer	Conforming
96	Bathroom Accessories	Bongio Robe Hook T Collection Robe Hook [Code 30001]	Bongio Robe Hook	Conforming
97		Bongio T Collection Toilet Roll Holder [Code 30009]	Bongio Toilet Roll Holder	Conforming
98		Bongio TOILET BRUSH Wall Mounted [Code 30026CR]	Bongio toilet brush	Conforming
99		Jeeves Classic Model D straight heated towel rail	Jeeves towel rail	Conforming
100		Bongio T Collection Towel Rail 700mm [Code 30007/800]	Bongio Towel Rail	Conforming
101	Beauty Fires	double sided vent free gas fireplace with 1200 gas surround 1700 x 550 x 400mm high with glass fronts.	Lounge: 920 x 650 x 860mm high  Main Bedroom: 860 x 660 x 850mm high	Not Conforming  Not Conforming
	<b>Lerotholi Boundary Wall</b>			
102	Lesotho Sandstone	30mm "Lesotho Sandstone"	30mm sandstone	Conforming
103	620 x 150 mm Wide smooth cladding in stack bond to piers	620 x 150mm	Average 580 x 150mm	Not Conforming
104	Stone cladding	1030 x 150 mm Wide smooth cladding in stack bond to piers	Average 1000 x 150mm	Conforming
	<b>Preliminaries</b>			
105	General Site Meeting Office	minimum size 15 x 4 x 2.7m high internally, suitably ventilated, heated, well lit and quiet; fitted with boardroom table, bar fridge, pinning board whiteboard and chairs.	Size 8.84x2.97x2.4m high No bar fridge in place	Not Conforming
106	Ablutions for Consultants Offices	minimum size 15 x 4 x 2.7m high internally, white glazed tiles on walls to ceiling height, 4 x WC sets, 4 x HWB, 4 x mirrors and well lit	Plaster and paint wall finish, 5 x WC sets, 5 x HWB and no mirrors	Not Conforming
107	Office of the Architect	Minimum size 4x3x2.7m high internally, suitably	Size 4.14x3x3.04m high	Conforming



Sn	Item description	Specification as per drawing/BoQ	Audit Finding	Remarks
		ventilated, heated, well lit and quiet fitted with desk, drawers for drawings and chairs		

60 out of the 107 items checked (56%) did not conform to the specifications and drawings.

Works that do not conform to specifications lead to financial loss when items are certified for payment.


### **Recommendation**



The Chief Accounting Officer should ensure that all completed works conform to the drawings and specification requirements.

### **3.7.6 Inspection of works**



The audit team conducted an inspection of the works from the 16<sup>th</sup> to 31<sup>st</sup> October 2024 in the presence of a representative from BDS as shown in Appendix 2. The following defects and omissions were observed.


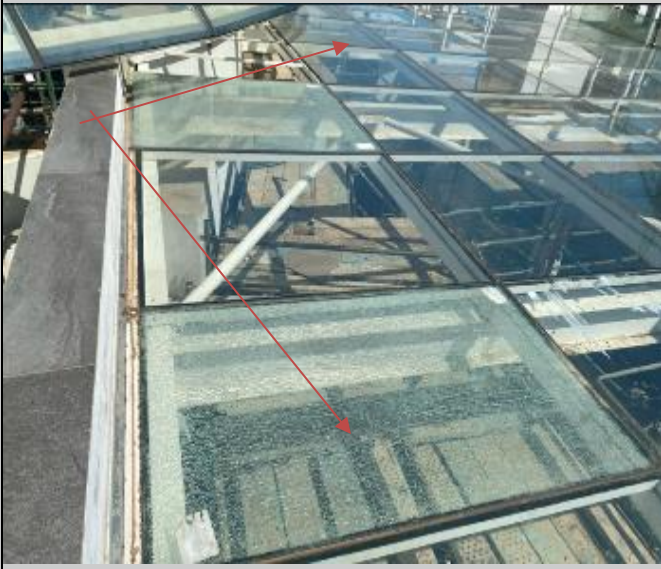
**Table 54: Observed Defects and Omissions**

Observation	Pictorial Evidence
<b>MAIN PALACE</b>	
<b>Roof Scape</b>	
Cracked tiles on parapet wall	



Observation	Pictorial Evidence
<p>Cracks in plaster on screen masonry wall</p>	 <p>The pictorial evidence consists of two photographs. The top photograph shows a white masonry wall with a horizontal crack. The bottom photograph shows a similar wall with a network of cracks in the plaster, which are circled in red. A timestamp 'Oct 30, 2024 at 9:54:41AM' is visible in the top right corner of the bottom photograph.</p>
<p>Missing lighting bulbs at the Roof scape terrace</p>	 <p>The photograph shows a white metal structure, likely part of a roof scape terrace. A security camera is mounted on the structure. A red arrow points to a missing light bulb socket on the structure.</p>




Observation	Pictorial Evidence
Cracked and loose fitting Tile coping	
Rusting on the steel sections on the roof	


Observation	Pictorial Evidence
Signs of rust and incomplete electrical fittings	 <p>A photograph showing the underside of a pergola. The steel frame is visible, with some rust and paint peeling. Several electrical wires are hanging down, some bundled together and others loose, indicating incomplete electrical fittings.</p>
Signs of rust at the steel frame pergola	 <p>A photograph showing the underside of a pergola. A red cloud-like outline is drawn on the white-painted steel frame, highlighting areas of rust. The background shows the wooden slats of the pergola and a clear blue sky.</p>

Observation	Pictorial Evidence
Incomplete Lightning Rod	
Shattered and missing skylight	



Observation	Pictorial Evidence
<p>Rusted fulbora outlet</p>	
<p>Cracks in the waterproofing may allow for water seepage</p>	



Observation	Pictorial Evidence
Cracked glass at opening from Staircase	
Broken Timber pieces on timber flooring	
Missing Timber pieces on timber flooring	

Observation	Pictorial Evidence
<p>Untreated timber prone to water damage and algae growth</p>	 <p>The pictorial evidence consists of two photographs. The top photograph shows a close-up of a timber beam, likely part of a bridge or large structure, with a timestamp 'Oct 30, 2024 at 10:05:25 AM'. The bottom photograph shows a wall made of vertical timber slats, with a timestamp 'Oct 30, 2024 at 9:44:25 AM'. A red cloud-like outline highlights a section of the lower timber wall, possibly indicating an area of concern or damage.</p>





Observation	Pictorial Evidence
<p>Uneven finish on timber</p>	
<p>Opening at lift area leading to Ingress of water potentially causing damage to other areas in the palace</p>	
<p>Water damage to the external doors</p>	

Observation	Pictorial Evidence
	
Broken timber boards	
Loose granite floor tiles could lead to a tripping hazard	



Observation	Pictorial Evidence
	
<p>Shattered skylight glass and open skylight leading to ingress of water into the palace</p>	



Observation	Pictorial Evidence
<p>Damaged doors and IronMongery</p>	
First Floor	
<p>Uncovered Roof fan (top) allowing for ingress of water that leads to significant water damage along slabs and on ceiling boards in Kids corridor</p>	



Observation	Pictorial Evidence
Cracked glass in shopfront	
Hollow wall where a concrete wall was expected	

Observation	Pictorial Evidence
Spotlights on ceiling not aligned	
Water damage and peeling off of paint	



Observation	Pictorial Evidence
Significant efflorescence to the walls	
Basement	
Efflorescence on columns and pile caps	

Observation	Pictorial Evidence
Efflorescence	
<b>Guest Bedroom 01</b>	
Efflorescence on slab	
Peeling off and Efflorescence in Plaster	






Observation	Pictorial Evidence
<p><b><i>Guest Bedroom 02</i></b></p> <p>Efflorescence of concrete slab</p>	
<p>Damage to walls</p>	
<p><b><i>Kids Corridor</i></b></p>	

Observation	Pictorial Evidence
Rotten timber floors due to water damage	
Efflorescence on walls	




Observation	Pictorial Evidence
Damage in the ceiling boards	 <p>Oct 30, 2024 at 10:48:30 AM</p>
Signs of water damage on ceiling board	 <p>Oct 30, 2024 at 10:48:14 AM</p>
<b>Guest Lounge</b>	



Observation	Pictorial Evidence
Lifting off timber floor	 <p>A photograph showing a wooden floor in a room with large windows in the background. A red cloud-shaped outline is drawn on the floor, highlighting a specific area where a piece of timber has been lifted or damaged. The timestamp 'Oct 30, 2024 at 10:52:06 AM' is visible in the top right corner of the image.</p>
<b>Kids Bedroom</b>	
Efflorescence on plaster wall	 <p>A photograph of a white plaster wall in a room. There is visible efflorescence (white, powdery deposits) on the wall surface. A window is visible on the right side of the frame, showing a view of the outdoors. The timestamp 'Oct 30, 2024 at 10:58:32 AM' is visible in the top right corner of the image.</p>
<b>Majesties Kitchen</b>	

Observation	Pictorial Evidence
Water ingress causing damage to wall tiles	 <p>Oct 30, 2024 at 11:11:47 AM</p> <p>A photograph showing a wooden door set within a wall of large, grey rectangular tiles. At the base of the door, there is a dark, irregular stain on the tiles, indicating water damage. A red arrow points to this stained area.</p>
Water ingress causing damage to ceiling board	 <p>Oct 30, 2024 at 11:10:09 AM</p> <p>A photograph of a ceiling area where a white board is missing or damaged, revealing a dark space above. A red cloud-like outline is drawn around the damaged area. Below the ceiling, a tiled wall and a window are visible.</p>
<b>Dining Terrace</b>	
Efflorescence on beams	 <p>Oct 30, 2024 at 11:19:03 AM</p> <p>A photograph of a concrete beam or ledge. A white, powdery substance (efflorescence) is visible on the surface of the beam. A red arrow points to this substance. The background shows some metal piping and other structural elements.</p>




Observation	Pictorial Evidence
Efflorescence on columns	
<b>Family Dining</b>	
Water ingress in the timber flooring causing it to rot	
Stained timber flooring	



Observation	Pictorial Evidence
Water ingress in wall timber panels	
<b>Main Family Corridor</b>	
Jointing at skirting not aligned	
Water ingress causing damage to timber door.	

Observation	Pictorial Evidence
<p>Damaged floor tiles</p>	
<b>Private lounge</b>	
<p>Water stains on the timber flooring</p>	
<b>Majesties Terrace</b>	





Observation	Pictorial Evidence
Cracked skylight glass	
Folding doors are a potential fall hazard	




Observation	Pictorial Evidence
Rust forming around the steel members	
Failing untreated timber screens	
<b>Majesties Bathroom</b>	

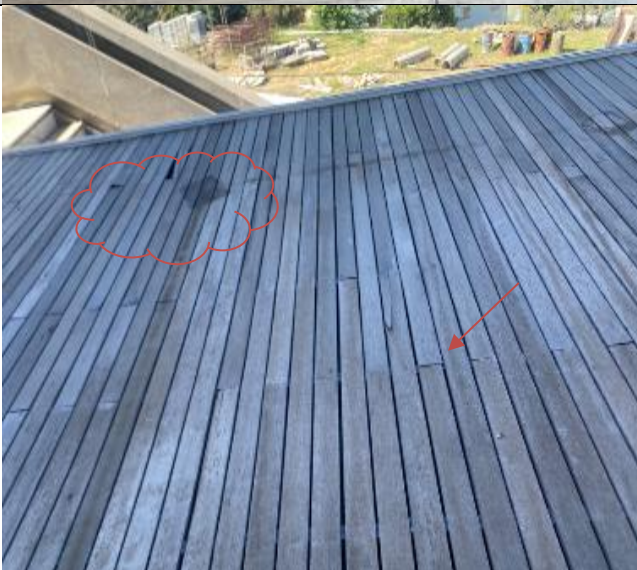
Observation	Pictorial Evidence
Water ingress damaging wall	
Unfrosted glass in the bathroom area	
Small bathtub size (800mmx1700mm)	
<b>Side Room</b>	



Observation	Pictorial Evidence
Hairline cracks on wall	
<b><i>Kids Study Toilet</i></b>	
Cracked Floor tile	
<b><i>Kids Study Area</i></b>	

Observation	Pictorial Evidence
Holes in ceiling	
<b>Ground Floor</b>	
<i>Formal Dining</i>	
Cracked glass on shopfront	








Observation	Pictorial Evidence
<p>Water ingress in the timber wall paneling close to the socket</p>	
<p>Water ingress in the ceiling boards</p>	
<p><i>Formal Lounge</i></p>	



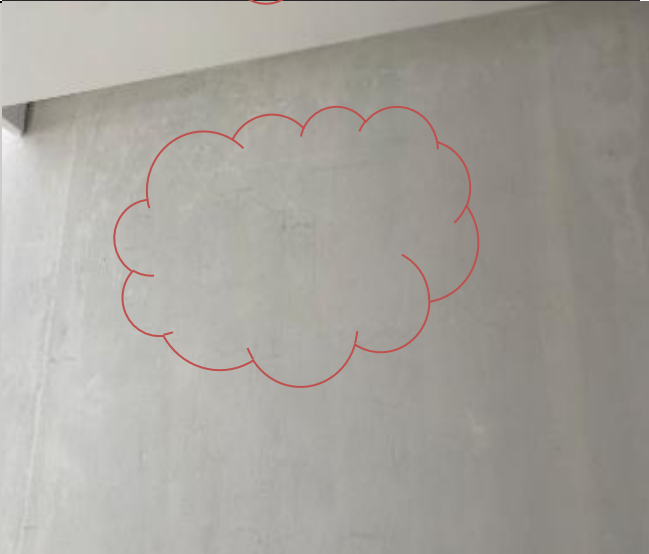
Observation	Pictorial Evidence
Cracked glass	
Water ingress in the timber flooring thus damaging the finish	
Broken and chipped timber decking	



Observation	Pictorial Evidence
<i>Cold Room</i>	
Door Shutter not fitted into frame	 <p>Oct 30, 2024 at 3:16:39 PM</p>
Large Cracks in clearing space above door frame	 <p>Oct 30, 2024 at 3:16:37 PM</p>
Industrial Kitchen	






Observation	Pictorial Evidence
Water ingress in ceiling board	
<i>Male Ablutions and Cloak Room</i>	
Damaged Door closer	
<i>Foyer</i>	

Observation	Pictorial Evidence
Algae growth on wall	
<i>Waiting Lounge 2</i>	
Water ingress into building	
<i>Female and Male Ablutions</i>	
Positioning of switch behind door	

Observation	Pictorial Evidence
<p><i>Kings Office</i></p> <p>Folding doors potential for fall hazard</p>	
<p>Family Room</p> <p>Cracked glass</p>	
<p>Hairline cracks</p>	

Observation	Pictorial Evidence
Hairline cracks	
Broken timber decking pieces	
<b>Lower Ground Floor</b>	
<i>Basement Parking</i>	
Changing rooms	

Observation	Pictorial Evidence
Water ingress in the ceiling boards	
Defective switches	
Service Corridor 2	

Observation	Pictorial Evidence
Leakage in Ceiling causing water stains and board damage	
Cracks in the ceiling board	
Damaged ceiling board	






Observation	Pictorial Evidence
Efflorescence on concrete	 A photograph showing a concrete wall with significant white, crystalline efflorescence. The wall is adjacent to a wooden deck or walkway. A timestamp in the top right corner reads "Oct 30, 2024 at 3:41:59 PM".
<b>GUEST HOUSE</b>	
Ground Floor	
<i>Generally</i>	
Gap between skirting and floor finish will eventually allow for dirt, water and other debris to get trapped underneath leading to damage overtime	 Two photographs illustrating the issue. The top photograph shows a close-up of a wooden skirting board meeting a wooden floor, with a red arrow pointing to a gap. A timestamp in the top right corner reads "Oct 31, 2024 at 9:50:33 AM". The bottom photograph shows a wider view of the same area, with a red arrow pointing to the gap between the skirting and the floor. A timestamp in the top right corner reads "Oct 31, 2024 at 10:15:22 AM".



Observation	Pictorial Evidence
<p>Incomplete electrical and mechanical fittings. Cracks in the ceiling board</p>	
<p>Spot lights not properly aligned on the ceiling boards</p>	
<p><i>Dining Terrace</i></p>	





Observation	Pictorial Evidence
<p>Untreated timber floor finish exposed to adverse weather conditions</p>	
<p>Warped timber floor joists</p>	

Observation	Pictorial Evidence
Cracked timber floor panels	
Unfinished floor finish at door undersides	


Observation	Pictorial Evidence
<p>Water stains on timber floor finish</p>	 <p>Oct 31, 2024 at 10:14:01 AM</p>
<p>Cracks in tiling grout along wall finish</p>	 <p>Oct 31, 2024 at 10:09:03 AM</p>



Observation	Pictorial Evidence
Black algae/moss growth	 <p>Oct 31, 2024 at 10:10:25 AM</p> <p>A photograph showing a white exterior wall and a grey downspout. A red cloud-like outline highlights a dark, fuzzy patch of black algae or moss growth on the wall, just above the downspout's outlet. The area is adjacent to a wooden deck.</p>
Paint stains on the tile work	 <p>Oct 31, 2024 at 10:11:07 AM</p> <p>A photograph of a grey tiled surface, likely a patio or walkway. A red cloud-like outline highlights several small, light-colored paint splatters or stains on one of the tiles. A wooden fence and a shadow are visible in the background.</p>
<i>Laundry</i>	

Observation	Pictorial Evidence
<p>Height of switch at 2.58m from floor finish</p>	
<p><i>Lobby</i></p>	
<p>Exposed steel work at base of landing to first floor</p>	






Observation	Pictorial Evidence
<p>Unfinished paintwork where installed item had been removed</p>	
<p><i>Toilet</i></p>	
<p>Poor finish on staircase skirting</p>	
<p><i>Lounge and Bar</i></p>	
<p>Some of the electrical fittings fitted the wrong side up</p>	

Observation	Pictorial Evidence
Positioning of the wall switches behind the door	 <p>Oct 31, 2024 at 10:19:34 AM</p>
Loosely fitted door lock with missing screws	 <p>Oct 31, 2024 at 10:24:24 AM</p>

Observation	Pictorial Evidence
Damaged door locks	 <p>Oct 31, 2024 at 10:24:58 AM</p>
<i>Externally</i>	
Cracks on external wall finish	 <p>Oct 31, 2024 at 12:06:39 PM</p>






Observation	Pictorial Evidence
<p>Signs of ponding of water at downpipes position</p>	 <p>Oct 31, 2024 at 12:0</p>
<p>Cracks in ceiling board at external staircase</p>	 <p>Oct 31, 2024 at 11:21:18 AM</p>




Observation	Pictorial Evidence
<p>Water damage to ceiling due to poor drainage on first floor terrace</p>	
<b>First Floor</b>	
<i>Terrace</i>	
<p>Signs of Water stagnating on floor and draining at corners of the floor slab</p>	

Observation	Pictorial Evidence
Cracks in grout on wall tiles	
No provision for lights	




Observation	Pictorial Evidence
<p>No provision for floor trap (signs of water stagnation on floor tiles)</p>	
<p>Cracks on slab</p>	
<p><i>Lounge/Library</i></p>	
<p>Door does not lock due to poor workmanship</p>	
<p><i>Dressing Room</i></p>	

Observation	Pictorial Evidence
<p>Lack of aeration in the space (may encourage mold growth due to dampness and stuffiness)</p>	
<i>Staircase Landing</i>	
<p>Cracks in duct wall</p>	
<p>Cracks and unevenness in floor finish. Some upheaval of floor tiles was noted near the duct openings</p>	





Observation	Pictorial Evidence
Cracks and damage at the point where spots lights have been connected	 <p>Oct 31, 2024 at 11:00:24 AM</p>
<i>Service Corridor</i>	
Water damage to the floor	 <p>Oct 31, 2024 at 11:01:56 AM</p>
Uneven surface and gaps at the door finish to guest bedroom 02 (Right hand side)	 <p>Oct 31, 2024 at 11:21:09 AM</p>
<i>Guest Bedroom 01</i>	

Observation	Pictorial Evidence
Defective double sockets (cannot be switched on or off)	
AC cables exposed and insulation damaged	
Cracks in timber floor finish	

Observation	Pictorial Evidence
Loose fitted showerhead for the bathtub	
<i>Guest Bedroom 02</i>	
Sink not yet connected	
Hairline cracks in Built in closet area	



Observation	Pictorial Evidence
<p>Defective socket at height 0.23m from floor finish</p>	
<p>Doors do not lock due to poor alignment of door lock mechanism</p>	
<p><i>Guest Bedroom 03</i></p>	

Observation	Pictorial Evidence
<p>Hairline cracks in Built in closet area</p>	
<p>Doors do not lock (misaligned locking mechanism)</p>	
<p><i>Guest Bedroom 04</i></p>	




Observation	Pictorial Evidence
<p>Defective socket at height 1.32m from floor finish</p>	
<p>Doors do not lock (lock has damaged the door frame)</p>	
<p>Main Bathroom</p>	

Observation	Pictorial Evidence
Toilet door shutter narrower than the opening	 <p>Oct 31, 2024 at 11:40:33 AM</p>
Cracks in the Built in closet wall	 <p>Oct 31, 2024 at 11:41:51 AM</p>

Observation	Pictorial Evidence
<p>Switch in built in closet area 2.14m from floor finish</p>	
<p><b>Tennis Court</b></p>	
<p>Damage to external wooden doors. (The tennis court couldn't be accessed)</p>	

Observation	Pictorial Evidence
Vegetation overgrowth through pavers	
Water marks on the court due to water ponding	
New Chapel piling works	



Observation	Pictorial Evidence
<p>Rusted reinforcement bars of the New Chapel columns</p>	
<p><b>Boundary Wall</b></p>	
<p>Incomplete paving works and missing stone cladding. Peeling off of paint from the walls</p>	
<p>Water seepage through boundary wall from Royal Palaces' servants quarters leading to stagnated water in drains</p>	



Observation	Pictorial Evidence
Cracked stone cladding	
Loose fitting and missing stone cladding	





Observation	Pictorial Evidence
Uninstalled pavers	
Missing stone cladding and growth of moss	

Observation	Pictorial Evidence
<p>Hole in the boundary wall</p>	
<p>Damaged precast concrete slab</p>	

Observation	Pictorial Evidence
Cracked stone cladding	
Crack along the boundary wall between Main palace and Servant Quarters	

Observation	Pictorial Evidence
<p>Damaged Pier and debris from Tree affecting the boundary wall</p>	
<p>Damaged clearVu Fence poses a security risk to the Palace Offices</p>	



Observation	Pictorial Evidence
<p>Damaged and missing stone cladding</p>	
<p>Uncovered inspection chamber (a tripping and safety hazard)</p>	

The above observed deficiencies can be attributed to poor workmanship and lack of adequate supervision; and if not addressed might affect the durability and functionality of the structures.

### **Recommendation**

The Chief Accounting Officer should ensure that the defects identified are rectified by the contractor at no additional cost to Government.

### 3.7.7 Quantity verification

The audit team undertook an analysis of the drawings and physically measured some of the executed work items in the presence of the MoWPT representative. A comparison of the quantities of the items assessed by the audit team and those certified for payment in interim payment certificate 84 revealed inconsistencies in some of the quantities of the measured items resulting in overpayments of **M6,733,783.56** comprising payments due to errors in measurements of **M5,978,662** and unexecuted works of **M755,121.11** as summarized in the tables below. The detailed bill items are presented in the **Appendix 4**.

**Table 55: Summary of Overpayments from measurement errors**

Section	Amount Paid, M	Audit Amount, M	Variance, M
Preliminaries	90,000	0	90,000
Stage 1	8,808,046	8,138,687	669,359
<b>BUILDING WORKS</b>			
Carpentry and Joinery	5,045,269	4,295,423	749,845
Floor Coverings, Wall Linings, etc.	61,363	59,219	2,144
Metalwork	765,630	554,167	211,463
Plastering	2,996,321	1,221,499	1,774,822
Tiling	1,279,417	1,200,238	79,180
Glazing	1,541,297	831,096	710,201
<b>CONSOLIDATED MINI-BILLS</b>			
Boundary Wall between Main Palace and Staff Houses	328,559	324,215	4,344
Boundary Wall Leretholi Road	1,727,578	1,295,797	431,781
Aluminium Shopfronts	1,442,942	638,141	804,800
Doors	450,504	357,891	92,613
Plumbing and Drainage (Sanitary ware)	517,515	159,405	358,110
Total Overpayment	<b>25,054,441</b>	<b>19,075,779</b>	<b>5,978,662</b>

**Table 56: Summary of overpayments from unexecuted works**

Section	Amount Paid, M	Audit Amount, M	Variance, M
Swimming Pool	640,620	-	640,620
<b>BUDGETARY ALLOWANCES</b>			
Special Pavers to Roof	114,501	-	114,501
Total Overpayment	<b>755,121</b>	<b>-</b>	<b>755,121.11</b>

The overpayment led to financial loss.

### **Recommendation**

The Chief Accounting Officer should ensure that the overpayments are recovered from the Contractor.

### **3.7.8 Environmental and social aspects**

#### **I. Environmental, social, health and social reporting**

SC 34 of the Procurement Manual (2007) requires the contractor to provide services in accordance with the environmental policy of the unit or authority to conserve energy, water, and other resources, reduce waste, and phase out the use of ozone depleting substances while minimizing the release of greenhouse gases, volatile organic compounds and other substances damaging to the health and environment.

Regarding safety, the Supplementary Conditions of Contract (SC 38) of the same manual requires the Contractor to be responsible for the observance by himself, his employees and sub-contractors for all safety precautions necessary for the protection of himself and others to ensure proper discharge of his duties.

A review of the works contract conditions of contract indicated that there were no specific obligations set for the contractor to fulfil the environmental, social, health and social aspects as recommended by the manual. Furthermore, the consultancy agreements did not consider the environmental management during the design phase though a sub consultant was contracted to undertake environmental management and monitoring during construction.

Absence of the requirement for environmental management for consultants during design, audit could not ascertain whether environmental considerations were included in the design process to inform the construction stage.

#### **Recommendation**

The Chief Accounting Officer should ensure that specific obligations are set for the contractor to fulfil the environmental, social, health and social aspects on a project.

#### **II. Selection of Ntlafalang Consultants as environmental consultants**

Section 45.1 of the Procurement Regulations (2007) requires that the selection of the consultants be entirely consistent with the pre-selected award criteria that are targeted on selection by judgement based on the lowest price and most economically advantageous bid or most favourable tender technical, financial and commercial assessment.

A review of the evaluation report for the environmental consultants conducted by Lethola Cost Associates and later submitted to BDS indicated that two bidders were successful with LEPCO emerging as the best with the lowest price of M291,976.80 and the second being Ntlafalang with a bid price of M325,834.80. Instead BDS decided to award the contract to the second-best evaluated bidder Ntlafalang to provide the environmental consultancy services without any justification contrary to the procurement regulations.

Failure to select the most favourable bidder in accordance with the Government procurement regulations resulted in loss of M33,858.00 at the start of the provision of services. At the time of audit, the environmental services had cost the Government M1,303,032.85 (Excl. VAT)

### **Recommendation**

The Chief Accounting Officer should ensure that the procurement process is fair to select the best bid.

### **III. Absence of evidence of revised Environmental Management Plan (EMP)**

Stage 1 of the Ntlafalang consultants contract required preparation of an environmental management plan (EMP) for the project prior to issuance of a record of decision by the Department of Environment in the Ministry of Tourism, Environment and Culture (MTEC).

In a letter dated 2nd September 2010, it was indicated that copies of the EMP had been submitted to the National Environment Secretariat (NES) for review who responded back to the Director BDS with a Record of Decision on 14th September 2010 citing that the report had been unhelpful in identifying relevant impacts in implementing the project but nonetheless granted an environmental clearance with some conditions. There was no EMP on file indicating how the unhelpful aspects had been corrected.

Failure to identify the potential impacts on the environment in time led to an inability to focus on mitigation measures during construction.

### **Recommendation**

The Chief Accounting Officer should ensure that environmental management plans are approved highlighting any potential impacts for monitoring during implementation.



**IV. Reports submitted by EHS Consultant**

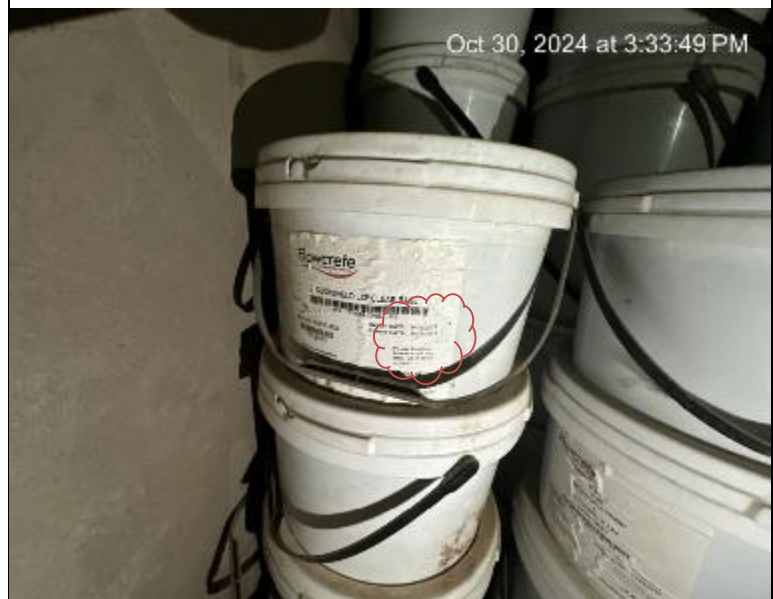
The NES set conditions for the contractor to appoint a foreman to ensure compliance to best practices and ensure construction personnel were acquainted with the necessary safety measures. Furthermore, in a letter dated 25th August 2010 there was a recommendation to have an action plan developed on how best to implement the EMP. The scope of work as per the Quotation shared in 2018 was to include compliance to the EMP.

While audit noted that 47 monitoring reports were prepared by Ntlafalang, there were few aspects observed by audit during site inspection that did not follow appropriate EHS measures as shown below;

**Table 57: Observed inappropriate EHS on site**

<p>Improper storage of material on site</p>	
---	---

Storage of expired  
material on site



Waste material on site



<p>Improper storage of reinforcement material on site</p>	
<p>Sharp material left exposed on site (which could potentially cause injuries)</p>	

**Recommendation**  
The Chief Accounting Officer should ensure that environmental, health and safety measures are faithfully implemented during construction.

### **3.8 MINISTRY OF PUBLIC WORKS AND TRANSPORT/BDS**

This section presents findings from the roles played by MoPWT/BDS in the design and construction of the New Royal Palace from planning, procurement, design, and construction. The observations from document review are as follows.

#### **I. Non-Availability of Procurement Records**

Section 52 (1) of Public Procurement Regulations 2007, required the Procurement Unit to compile and maintain a file for each procurement tender and ensure its safe keeping in a registry or archive unit. Section 52(2) entails a list of all documents and materials that the tender file should contain.

There was no evidence on file that the BDS Procurement Unit compiled or maintained the procurement file that contained all the information relevant to the New Royal Palace project. Prior to commencement of the project, the following documents should have been in place were not obtained for review:

- Cabinet decisions relating to the construction of the New Royal Palace.
  - Annual Procurement plans
  - Detailed project procurement plan
  - Approved Tender Documents
  - Detailed Annual Budget (with breakdown of activities)
  - Addendum to the following contracts
  - Justifications for all contract terminations.
- a) In the absence of complete records of tenders, the auditors could not verify whether procurement of works and consultancy services conformed to the procurement regulations and its ethical requirement upon on boarding of contractors as well as to verifying whether evaluation of tenders was performed based on the set qualification criteria.
- b) The availed documents were filed haphazardly across the registry contractor files.
- c) From the interviews conducted, auditors established that the Ministry of Works Procurement Unit was not involved in the procurement process of the Royal Palace project. It was the BDS department staff that handled all procurement activities on contractor's engagements. The auditor team could not establish whether the team consisted of a procurement officer in this process.

Non-compliance with procurement requirements on tender processes and procedures might lead to uneconomic spending of public funds where unqualified suppliers may be engaged and paid for incomplete or poor quality of works and consultancy services provided. The root cause is the absence of a document management and storage system.

This has made it a challenge to authenticate the ethical proceedings in the procurement process due to non-availability of documents leading to limitation of scope, thus resulted in difficulty for me to satisfy that public monies appropriated to the project have been applied for the intended purposes.

### **Recommendation**

The Chief Accounting Officer should ensure that there is complete documentation of the procurement records.

## **II. Annual Procurement Planning**

Section 51 of the Public Procurement Regulations of 2007, required the Procurement Unit to formulate the procurement plan for goods, works, services and consulting services for the financial year. Such a plan should entail description of services, works and goods, estimated value, procurement method, timelines (IFB, tender opening/ closing, evaluation, authorization, award notification, contract signings, contract execution and completion), approved by Principal Secretary and disclosed publicly through mass media within a month after budget approval. The plan is an essential part of the annual budget setting process; it aids businesses in their market research and planning activities; and it is a tool for managers in planning their resources over the coming year.

A review of the procurement plan availed did not show the clear procurement method, timelines broken down from Invitation for Bidding period to contract completion stage, as well as the estimated value for all works and consultancies to be procured, and it was also not approved and disclosed publicly on mass media.

This resulted from ineffective procurement planning, which could lead to poor management of resources as the plan sets the direction of spending and allocation of resources.

### **Recommendation**

The Chief Accounting Officer should ensure that annual procurement plans are prepared and approved for running projects.



## **2. Non-compliance with Procurement Procedures**

Section 8(2)(a) of the Public Procurement Regulations of 2007 states that exceptional procurement procedure should apply where the requirement concerns a new contract that is directly relevant to a complete contract, and the added value of the additional work being given to the same contractor outweighs any potential reduction in costs that may be derived through a competitive tender.

Makeka Design Lab (MDL) was firstly engaged as the interior design consultant of the New Royal Palace on the 27<sup>th</sup> November 2012. Auditors observed the following incidents:

- a) On 13<sup>th</sup> January 2014, Building Design Service (BDS) received a letter from MDL requesting clarity on some aspects before they could confirm the contractual agreements for the proposal of the Architect of Record for The Royal Palace.
- b) On the 11<sup>th</sup> February 2014, Building Design Service (BDS) received a Revised fee proposal for site and contract audit amounting to M63,840 from MDL of which they addressed themselves as Architectural consultant for taking the Royal Palace to completion.
- c) On the 04<sup>th</sup> April 2014, BDS wrote to MDL that their offer of M5,388,584.41 had been accepted by the Ministry for execution of Architectural Services (Remedial and Recommended Works) and supervision of the Construction of the New Royal Palace.
- d) On the 10<sup>th</sup> June 2014, a savingram (Ref. No.: FIN/PPAD/20) was received from Director PPAD requesting detailed explanation for the events leading to the termination of the previous contractor/architect. This was in response to a request for the waiver to engage MDL as the new architect. The request as well as the detailed explanations were not filed.
- e) On the 20<sup>th</sup> October 2014 another savingram was received from Director PPAD informing BDS that the Honourable Minister had approved their application for a waiver to engage MDL and to extend their scope of work to include architectural design review and supervision service amounting to M5,388,584.41.

The extended scope of work given to MDL which is the new contract was not directly relevant to the complete contract, therefore does not meet the requirement for exceptional procurement procedure.

BDS had already given MDL authority to execute the Architectural services before the application of waiver to engage MDL as the new

architect was approved. The balance on the contract of the previous Architect upon termination of their contract was M1,019,867.12 while MDL offered to review and supervise the final stages of the Project for M5,388,584.41. Value for money could have been considered and potential reduction costs derived through a competitive tender process.

Insufficient competition could lead to limited choice of vendors as well as high/ inflated costs. This also opens a room for discretion that could allow practices such as nepotism or any form of unfair advantage.

The application of the exceptional procurement procedure was improper. This lack of planning could result into lack of transparency which makes it difficult to assess how some procurement decisions have been made.

#### **Recommendation**

The Chief Accounting Officer should ensure that the procurement regulations regarding exceptional procurements are strictly adhered to.

### **III. Increase in contract price by over 201%**

Clause 36, 1(c) of Procurement Regulations (2007) provide that non-competitive contracting should only be used in contracting when the value of additional works does not exceed 15% of the value of the initial contract.

A review of the signed works contract, 84 interim valuations and 2 Memoranda of Agreements indicated that while the original contract price was M136,770,300.67 (Incl. tax) in August 2011, multiple revisions/ variations were made to the scope of works leading to the works value to increase by M274,229,343.60 to M410,999,644.27 as of 28<sup>th</sup> February 2019 equivalent to 201% of the original contract price.

BDS therefore failed to enforce compliance with the procurement regulations, resulting in the increase in contract price beyond the 15%, which was contrary to the procurement regulations.

#### **Recommendation**

The Chief Accounting Officer should ensure that any requests for price variations and their subsequent approvals are in accordance with the limits set by procurement regulations.

#### **IV. Absence of a Document Management System (DMS) for the project**

Clause 52(1) of the Public Procurement Regulations of 2007 required the Ministry to compile and maintain a file for each procurement tender and ensure its safe keeping in a registry or archive unit. Furthermore, Clause 52(2) lists the documents to be kept in the registry among which include; the signed contract, tender documents including technical specifications, tenders submitted, rejected tenders and reasons for rejection, minutes of tender opening, tender evaluation reports and all correspondences related to the contract management and handover of the project.

An assessment of the organization and storage of the documents availed in both soft and hard copies, established poor organization in terms of project aspects such designs, correspondences, contractual matters, supervision has been placed in a single file without separating. As a result, thus it was not easy to track the documents as organized such categories.

Furthermore, an assessment of storage of the project files established the file were stored in an old-fashioned way by use of file folders. This indicated an absence of a DMS which is an electronic file management system for storage, managing and tracking of documents

A project of this size and significance required a fully functional DMS to be in place, provided the documents were regularly added and maintained with discipline.

#### **Recommendation**

The Chief Accounting Officer should ensure that projects of similar size have a fully functional document management system and maintained.

#### **V. Improper Technical Evaluation of the Project Manager**

Section 46(1)(b) of the Public Procurement Regulations of 2007 states that the method for evaluation of quality should be consistent with the pre-selected award targeted on a score selection based on the relevant expertise required to complete the requirement of the Government.

A review of the project documentation indicated that Morgan Rosso Group (Pty) Ltd (MRG) was selected as the Project Manager for the Construction of the New Royal Palace using limited competitive tendering method. There was no technical evaluation report on file.



A review of the documentation revealed that an offer was made to MRG LMJ JV and accepted on 12 April 2022. However, the offer was made and accepted before a due diligence was undertaken on the JV by BDS as shown by a request to MRG LMJ JV on 30<sup>th</sup> June 2022 for copies of academic qualifications, relevant work experience as well as curriculum vitae, and credentials of their Joint Venture representative.

Making an offer before technical evaluation may lead to engagement of unqualified consultants compromising the quality of services to be provided.

### **Recommendation**

The Chief Accounting Officer should ensure that the recruitment of any consultants follows the procurement process to enable selection of competent personnel.

### **VI. Failure by BDS to Provide Adequate Project Management services through an authorised Client's representative**

Clause 2.1.4 of the Client-Architect agreement required the Client to appoint a representative who would promptly provide the Architect with information when requested. The representative would be available for consultations during all stages of the project and be authorized to make decisions. This role is played by a Project Manager who may be a member of the Client's organization or externally sourced and appointed by the Client to provide project management services.

The audit established that from the inception of the construction works in August 2011, there was no evidence of formal appointment of a Project Manager until around 2022 when a Project Manager was procured.

Some of the critical roles played by a Project Manager on behalf of the Client which could have been beneficial to timely completion of the project and found lacking/inadequate included;

- Leading of the Professional team: The project had four main consultants/firms and at least three sub-consultants hence leadership was needed from an experienced and dedicated Project Manager
- Overall project administration including coordination of the work of the team, programming the execution of the designs and overall financial control of the project
- Regular meetings on site with contractors, members of the team and the client for the purpose of administering the contract including the preparation and distribution of agendas and minutes to all concerned,

- Issuance of instructions to contractors, either directly or by delegation to the other members of the team
- Process and certify all payment and valuation certificates and issue payment certificates for settlement.

This provision was disregarded in the Client-Architect agreement, which resulted in irregular and overpayments to consultants, absence of design documentations, non-approval of design alterations and modifications, delayed issuance of construction drawings, could have been checked by an Authorised client's representative and avoided.

### **Recommendation**

The Chief Accounting Officer should ensure that adequate project management by BDS is in place before implementation of any works project. The project management team may be composed of an in-house team or outsourced to consultants.

### **VII. Unjustified Design Alterations, Modifications and Change in Specifications by MDL Leading to Substantial Project Cost Escalations (more than Triple the Original Cost Palace construction works)**

Clause 2.1.15 of the Client-Architect agreement required the Client to review the plans and specifications issued by the Architect and determine that the Architect had adequately interpreted the Client's requirements, and the building would be suitable for the intended use.

A review of the project documentation indicated that at the time of hiring MDL in March 2015, the value of remaining works was estimated to be M48,771,146.50 (Excl. VAT). By September 2017, the value of works had increased by more than 5 times to M273,241,681.21 due to new scope and project requirements.

Audit was availed a project financial report prepared by the QS in September 2017 which showed that the project cost had increased by more than triple amount, from M136,770,300.00 at tender stage to M405,371,876.91 as a result of the new project scope and requirements introduced by the New Architect i.e. MDL among which included;

1. Remedial works - Examples of remedial or re-work included demolition and reconstruction of the built boundary wall in line with new design; removal of Basotho hat feature and reconstruction as per new design; replacement of pitched roof structure with flat concrete roof and demolition of concrete elements such as slabs, beams and columns to accommodate new designs.

2. New designs and Specifications; these included.

- Extent of the Palace building line was increased as per the new MDL design and had more glass than there was originally.
- Proposed new 2-storey Chapel building
- Structural Steelwork – Included work on Steel Parapet Roof, West Wing Layout, Main Office Screen, West Wing Sections, Basotho Hat/Dome Structure, Porte cochere roof and Rheinziink box to the Main Bedroom
- Timber Doors & Door Frames
- External Plumbing and Drainage
- Waterproofing
- Ceilings

3. MDL provided new specification, which caused major cost implications in terms of imported aluminium shopfronts, floor finishes, sanitary fittings, ironmongery, wall finishes, etc.

Audit was unable to assess the extent of design alterations and modifications as well as changes in specifications that were introduced by MDL due to absence of proper documentation and filing particularly project design documents.

Audit was also not availed any evidence of justifications of all these changes and modifications to a building that was close to project completion at the time.

**Recommendation**

The Chief Accounting Officer should ensure that any modifications and alterations do not significantly affect the contract price.

**VIII. Failure by BDS to freeze the Architectural Designs has cost Government over M200,000,000**

The works contract signed on 8<sup>th</sup> August 2011 between Government and LSP Construction PTY Ltd indicated that the cost works (i.e. contract sum) was estimated at M136,770,300.67 (Incl. VAT). In March 2013, the works were suspended by BDS, and the cost of works had increased to M141,634,735.72 (Incl. VAT) as per IPC No.21 dated 30/04/2013.

BDS then contracted Makeka Design Laboratory to undertake the role of Project Architect and Principal Agent in March 2015 after termination of Palace Architect's Contract in March 2014 with the intentions to resume works and complete the project. The new Project Architect introduced several changes to the project already

nearing completion and by the time this contract was terminated in July 2018, the project estimated cost of works was at M410,999,644.27 (Valuations as of February 2019).

Failure by BDS to freeze the architectural designs by adequately defining the project specification and functionality requirements allowed for several changes to be made by the new Architect. As a result, between the time the second Architect was hired and the contract terminated, the project cost had increased from 10% (M131,118,831.00) to over 200% (M361,962,373.82).

**Recommendation**

The Chief Accounting Officer should ensure that any modifications and alterations do not significantly affect the contract price.

## **IX. Termination of MDL contract for Architectural services**

Clause 3.12 (2) of the Client Architect agreement between GoL and MDL provides for termination of the agreement by either party on the expiry of fourteen (14) days written notice to the other party. Furthermore, the Architect should submit invoices reflecting all fees and reimbursements due on whose payment the outstanding documentation relevant to the project is availed to the Client.

A review of the contract management file showed that there was no evidence of written termination of MDL's services by the Client.

With the absence of the termination of services as contractually required, the Client/GoL has no access to any relevant outstanding project documentation that is useful for any future developments and a risk of litigation.

### **Recommendation**

The Chief Accounting Officer should ensure that any termination of consultant's services is confirmed by a termination letter to prevent any risks of litigation.

## **APPENDICES**

### **Appendix 1: Civil works audit methodology**

<b>Objective</b>	<b>Criteria and Information Required and Source(s)</b>		<b>Methodology Including Data Reliability/admissibility</b>	<b>Limitations &amp; possible mitigations</b>	<b>What This Analysis Allowed the auditor to conclude</b>	<b>Information and Evidence obtained</b>
	<b>Criteria and Information</b>	<b>Source (s)</b>				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
To evaluate the existence and effectiveness of internal controls in implementation and supervision of the Construction of the New Royal Palace Project.	Civil Works Contract document, Consultants TORs and procurement regulations . International standards and best practices.	MoPWT, BDS, OAG, Royal Palace Secretariat,	<p>Review of works contract, project progress reports, minutes of site meetings and stakeholder engagements, final inspection reports, correspondence between the contractor and Supervisor</p> <p>Presence of valid guarantees (Advance payment, and performance) and insurances.</p> <p>Adherence to contract conditions for progress reporting, progress meetings, certification of works for payment, quality assurance and approvals for variations and extensions of time.</p>	<p>Absence of works and design/supervision on contracts.</p> <p>Absence of approved work program.</p> <p>Absence of progress and inspection reports.</p> <p>Absence of documented site correspondences and instructions.</p> <p>Absence of copy guarantees.</p>	<p>Whether the project was managed on sound project and contract management principles</p> <p>Whether the contract addressed all contract modalities.</p> <p>Whether the design and supervision team were fit to implement the works.</p> <p>Whether the works were executed in line with approved work programme.</p>	Design and supervision contract, Works contract, progress reports, approved work program, project correspondences , Minutes of Stakeholder engagements and site meetings. Copy of performance guarantee.

Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
			<p>Interviews with the Ministry Director of Engineering and appointed personnel, Contractor and consultants.</p> <p>Review of the quality control reports to assess whether the works implemented met the contract specifications and were duly approved.</p> <p>Review of working drawings to assess whether the necessary approvals for changes made were obtained and the chain of custody</p> <p>Review of Bill of Quantities to verify whether all paid items were considered in the BoQs.</p> <p>Review of construction drawings and taking off quantities to</p>	<p>Absence of approval documents.</p> <p>Absence of paid items due to errors, vandalism, replacements due to O&amp;M.</p> <p>Absence of payment supporting documents.</p> <p>Absence of some or all payment certificates.</p> <p>Absence of payment supporting documents.</p>	<p>Whether all key staff participating in execution of works was approved and competent as required in the contract.</p> <p>Whether a final inspection was conducted (for stage completions or change of consultant).</p> <p>Whether all activities requiring specific approval went through the right procedure.</p> <p>Whether the implemented works are worth accountability provided.</p> <p>Whether there were any overpayments/underpa</p>	<p>Contractor-supervisor correspondences .</p> <p>Quality control file including test results, approvals, and method statements among others.</p> <p>Signed field measurement forms, Payment supporting documents (payment certificates, measurement sheets, valuations, payment</p>

Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
			<p>establish whether the quantities planned were reasonable.</p> <p>Taking physical measurements to verify items executed and paid.</p> <p>Review of consultants' fee structure to verify whether payments were catered for.</p> <p>Review of fee notes and certificates to establish whether the payments were reasonable.</p> <p>Review of the detailed design report, approved drawings and technical specifications to determine the project requirements.</p> <p>Physical measurements of constructed works.</p>	<p>Absence of final payment certificate for some consultants.</p> <p>Absence of design/contract drawings, absence of BoQs</p> <p>Absence of specifications.</p> <p>Modifications due to Operation and maintenance</p>	<p>Payments made to the contractor.</p> <p>Whether there were payments for works not done or any additional works.</p> <p>Whether payments to the designer/supervisors were supported.</p> <p>Presence of any irregular payments.</p> <p>Whether the consultants were paid.</p> <p>Whether the consultants had deliverables prior to payment.</p> <p>Whether design and supervision were done</p>	<p>vouchers, payment receipts, Signed time sheets, Payment certificates, Payment vouchers, and designers fee notes</p> <p>Field measurement forms.</p> <p>Photographic evidence.</p>



Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
			<p>Detailed examination of the elements to assess their compliance to the specifications.</p> <p>Review the consultant contracts to establish the deliverables expected</p> <p>Review the consultants reports to establish compliance with TOR requirements</p>		<p>and subsequently paid for</p> <p>Whether there were any overpayments/underpayments made to the consultant.</p> <p>Whether there were payments for services not done.</p> <p>Whether payments to the consultants were supported.</p> <p>Presence of any irregular payments.</p> <p>Whether the constructed works conformed to the physical specifications</p>	

Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
					<p>as per the drawings and specifications.</p> <p>Whether the consultant's contracts established specific, relevant and measurable deliverables</p> <p>Whether the consultants' outputs were achieved</p> <p>Whether the defects were rectified prior to payment.</p> <p>Whether there are any new defects due to poor O&amp;M, vandalism and or aging</p>	

Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	<p>Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement</p> <p>Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications</p>	<p>Absence of cabinet decisions, project implantation plans, design reports, specifications</p>	<p>Whether the planning arrangements were undertaken</p> <p>Whether the designs align with the Clients requirements</p>	Design reports, Architectural drawings, consultants' contracts
Evaluating whether the implemented works, during the construction were carried out in accordance with specifications, drawings and the quality management plan.	Works contract and Consultant contracts; specifications, drawings, Progress reports, Materials Test results, quality management plan, QMP	MoPWT/BDS, Consultants, Contractor	<p>Review of the contracts, QMP, specifications and drawings to establish the Client's quality requirements and expectations</p> <p>Review the progress reports, materials test reports to establish compliance to quality control measures</p> <p>Review any Non-Conformance Reports (NCR) and confirm if any rectifications made conformed to standards and specifications</p> <p>Review of the detailed design report, approved drawings and technical specifications to determine the project requirements.</p> <p>Physical measurements of constructed works.</p>	<p>Absence of reports on quality control and assurance</p> <p>Absence of design/contract drawings, absence of BoQs</p> <p>Absence of specifications.</p> <p>Modifications due to Operation and maintenance</p>	<p>Whether the quality control and assurance measures were implemented</p> <p>Whether the works implemented met the quality requirements</p> <p>Whether the constructed works conformed to the physical specifications as per the drawings and specifications.</p>	<p>Progress reports, Materials test results file</p> <p>Contract drawings and specifications.</p> <p>Field measurement forms.</p> <p>Copy of specifications</p>

Objective	Criteria and Information Required and Source(s)		Methodology Including Data Reliability/admissibility	Limitations & possible mitigations	What This Analysis Allowed the auditor to conclude	Information and Evidence obtained
	Criteria and Information	Source (s)				
To establish whether adequate planning and design were carried out	Specifications, standards, codes, regulations and project management principles.	Cabinet decisions, Annual work plans, project implementation plan, South African Codes, Eurocodes	Review the planning processes to establish presence of project implementation plan, cabinet decisions, and adequate stakeholder engagement  Review of the designs/concepts to establish the criteria adopted and final outputs align with Clients requirements/specifications	Absence of cabinet decisions, project implantation plans, design reports, specifications	Whether the planning arrangements were undertaken  Whether the designs align with the Clients requirements	Design reports, Architectural drawings, consultants' contracts
			Detailed examination of the elements to assess their compliance to the specifications.			
Assessing whether the works were implemented with due regard to environmental, health, safety and social safeguards considerations	Environmental and social management plan, Environmental protection guidelines and policies	Contract ESMP, Consultants' EMP, MoWPT/BDS	Review the contract to identify whether there were requirements for compliance to environmental, social, health and safety safeguards  Review the consultants' contract/ToRs to establish requirements for compliance to environmental, social, health and safety safeguards	Absence of reports on adherence to environment, social, health and safety safeguards	Whether there was adherence to environmental safeguards  Whether there was adherence to health, social and safety safeguards	Progress reports on environment, social, health and safety by contractor and consultant

**Appendix 2: Site inspection attendance list**

<b>SN</b>	<b>Name</b>	<b>Organisation</b>
1	Bruno Ruberwa	OAG
2	Eng. Tony Meri Carlos	OAG
3	Anita Agasha Aheirwe	OAG
4	Mwagale Agnes	OAG
5	Mapaballo Rantsane	OAG
6	Sechaba Mapuka	BDS

### Appendix 3: Errors in verification of IPC 51

Description	Valuation No. 47	Valuation No. 48	Valuation No. 49	Valuation No. 50	Valuation No. 51	Valuation No. 52
	Amount (M)	Amount (M)	Amount (M)	Amount (M)	Amount (M)	Amount (M)
Preliminaries	48,816,412.77	49,337,231.55	49,337,231.55	51,907,724.23	68,084,537.32	69,103,923.96
Provisonal amount for Stage 1 Final Account excluding VAT	53,440,202.03	53,440,202.03	53,440,202.03	53,440,202.03	53,440,202.03	53,125,173.03
Consolidated Mini BoQs	19,559,635.94	26,528,716.11	16,364,731.92	27,943,563.55	25,297,409.50	20,234,515.51
Provisional Amounts			11,781,311.29			12,683,212.40
Materials on Site				1,309,530.15	1,309,530.15	3,429,917.83
Materials Off Site			19,179,772.93	19,179,772.93		0
Works completion						
SUBTOTAL	121,816,250.74	129,306,149.69	150,103,249.72	157,441,981.49	153,692,792.80	158,576,742.73
Max Retention	-6,838,515.05	-6,838,515.05	-6,838,515.05	-6,838,515.05	-16,025,759.13	-16,025,759.13
SUBTOTAL	114,977,735.69	122,467,634.64	143,264,734.67	150,603,466.44	137,667,033.67	142,550,983.60
Less Previous Valuation	-113,356,851.41	-114,977,735.69	-122,467,634.64	-143,264,734.67	-150,603,466.44	-137,667,033.67
SUBTOTAL	1,620,884.28	7,489,898.95	20,797,100.03	7,338,731.77	-12,936,432.77	4,883,949.93
VAT 14% and then 15%	226,923.80	1,048,585.85	2,911,594.00	1,027,422.45	-1,811,100.59	683,752.99
SUBTOTAL VAT	1,847,808.08	8,538,484.80	23,708,694.03	8,366,154.22	-14,747,533.36	5,567,702.92
GRAND TOTAL	1,847,808.08	8,538,484.80	23,708,694.03	8,366,154.22	-14,747,533.36	5,567,702.92
Amounts Paid as per IPC	1,847,808.09	8,538,484.79	1,843,752.88	8,366,154.07	11,734,061.33	2,287,951.24
Variance	-0.01	0.01	21,864,941.15	0.15	-26,481,594.69	3,279,751.68
<b>Overall Variance</b>						<b>-1,336,901.70</b>

#### Appendix 4: Quantity verification

DESCRIPTION												BILLS OF QUANTITIES				Comparison of Quantities								
																Quantities		Amounts						
												Un it	Qty	Rate	Amou nt	IPC 84 Qty	Aud it Qty	Curre nt Valu ation	Audit Amou nt	Variance Amount				
																					A	B	C = A x B	D
CAPENTRY AND JOINERY																								
90 x 19mm Untreated Balau boards with concealed decking fastners on 20 x 40mm pine cleat												H3												
On floors									m2	957	2,501.25	2,393,696			794	782	1,985,042.03	1,955,977.50		29,064.53				
	A	1,009	B	36	C	0	D	0			1,909.50													
Audit Quantity	A	745	B	37	C	0	D	0																
TIMBER SCREENS												H2												
150 x 50mm Garapa untreated timber slats @ 100mm c/c fixed to steel (steel measured elsewhere)												H3												
On walls									m2	409	7,898.20	3,230,364			204	152	1,613,997.17	1,200,526.40		413,470.77				
	A	204	B	0	C	0	D	0																
Audit quantity	A	152	B		C	0	D	0																
150 x 50mm Garapa untreated timber slats @ 150mm c/c fixed to steel (steel measured elsewhere)												H3												
On walls									m2	51	6,832.15	348,440			212	167	1,446,229.51	1,138,919.41		307,310.11				
	A	212	B	0	C	0	D	0																
Audit quantity	A	167	B	0	C	0	D	0																
Floor Coverings																								
6mm thick "Quartz Carpet" seamless stone flooring in ashen colour installed strictly as per manufacturer's specification												H3												
On Floors										87	1,314.72	114,381			23	23	30,869.63	30,238.56		631.07				
	A	23	B	0	C	0	D	0																
Audit Quantity	A		B	23	C	0	D	0																
SKIRTING												H2												
Shadow line skirting of 75 x 20 x 5mm unequal leg aluminium angle												H3												

75mm High									m	1,058	644.00	681,352			47	45	30,493.40	28,980.00	1,513.40
	A	0	B	47	C	0	D	0											
	A	0	B	45	C	0	D	0											
METAL WORK																			
<u>STAINLESS STEEL BALUSTRA DING</u>																			
Mild steel balustrades to stairs including fixing prepared and powder coated to architect's specification																			
<u>STAIRCASE ONE</u>																			
Stainless Steel Balustrades for Staircase and double volume (1000mm high): 50.8mm Stainless Steel handrail with 50.mm Post and 7 x 16mm horizontal intermediates. Including cover plates and end caps.										No	11	2,684.00	29,256		11	11	29,255.60	29,255.60	0.00
	A	11	B	0	C	0	D	0											
Audit Quantity	A	0	B	11	C	0	D	0											
<u>HANDRAILS FOR STAIRCASE</u>																			
50mm Stainless Steel handrails with 16mm pins. Includes cover plates and end caps.										No	8	1,056.00	8,237		8	6.00	8,236.80	6,336.00	1,900.80
	A	8	B	0	C	0	D	0											
Audit Quantity	A	0	B	6	C	0	D	0											
<u>STAIRCASE TWO</u>																			
Stainless Steel Balustrades for Staircase and double volume (1000mm high): 50.8mm Stainless Steel handrail with 50.mm Post and 7 x 16mm horizontal intermediates. Including cover plates and end caps.										No	16	2,684.00	43,212		16	16.00	43,212.40	42,944.00	268.40
	A	16	B	0	C	0	D	0											
Audit Quantity	A	0	B	16	C	0	D	0											
<u>HANDRAILS FOR STAIRCASE</u>																			
50mm Stainless Steel handrails fixed to wall with 16mm pins. Includes cover plates and end caps.										No	8	1,056.00	8,448		8	0.00	8,448.00	0.00	8,448.00
	A	8	B	0	C	0	D	0											
Audit Quantity	A	0	B	0	C	0	D	0											
<u>TERRACE</u>																			



Stainless Steel Balustrades for Staircase and double volume (1000mm high): 50.8mm Stainless Steel handrail with 50.mm Post and 7 x 16mm horizontal intermediates. Including cover plates and end caps.									No	16	2,684.00	43,212			16	16.00	43,212.40	42,944.00	268.40
	A	16	B	0	C	0	D	0											
Audit Quantity	A	0	B	16	C	0	D	0											
<u>GUEST BEDROOMS</u>	-																		
Stainless Steel Balustrades in front of sliding doors (1000mm high): 50.8mm Stainless Steel handrail with 50.mm Post (extended for side meeting) and 7 x 16mm horizontal intermediates.									No	18	2,750.00	49,500			18	14.00	49,500.00	38,500.00	11,000.00
	A	18	B	0	C	0	D	0											
Audit Quantity	A	0	B	14	C	0	D	0											
<u>FIREPLACES</u>									H2										
<u>Beauty Fires</u>									H3										
Supply, set up and build in double sided vent free gas fireplace with 1200 gas grate or similar approved fireplace unit into mild steel fireplace surround 1700 x 550 x 400mm high with glass fronts.									No	3	62,107.87	186,324			2	2.00	107,518.53	107,518.53	0.00
	A	3	B	0	C	0	D	0											
Audit Quantity	A	2	B	0	C	0	D	0											
Supply, set up and build vent free gas fireplace with 1200 gas grate or similar approved fireplace unit into mild steel fireplace surround 1700 x 550 x 400mm high with glass fronts.									No	2	57,737.87	115,476			1	1.00	71,594.96	57,737.87	13,857.09
	A	2	B	0	C	0	D	0											
Audit Quantity	A	1	B	0	C	0	D	0											
<u>BRAAI AREAS</u>	-								H2										
<u>Jetmaster</u>									H3										
Supply, set up and build in 1200 Standard braai outer box with motor or similar approved braai unit of 1275 x 910 x 530mm deep into brickwork									No	1	53,211.11	53,211			1	1.00	53,211.11	53,211.11	0.00
	A	1	B	0	C	0	D	0											
Audit Quantity	A	1	B	0	C	0	D	0											
Supply, set up and build in 1500 Super Delu braai or similar approved braai unit of 1600 x 925 x 605mm deep									No	4	87,860.00	351,440			4	2.00	351,440.00	175,720.00	175,720.00
	A	5	B	0	C	0	D	0											

Audit Quantity	A	1	B	0	C	1	D	0											
PLASTERING																			
INTERNAL PLASTER									H2										
Two coat plaster with gypsum finish on brickwork									H3										
On walls									m2	3,065	142.13	435,628			7,863	6648	1,117,582.40	944,880.24	172,702.16
	A	7,730	B	37	C	34	D	0											
Audit quantity	A	6,648	B	833	C	170	D	58											
SPECIALISED PLASTER TYPE WALL COATINGS									H2										
2mm thick "Marmoran Caledon Plast" two in one or similar approved, application and preparation strictly to supplier specifications.									H3										
On walls									m2	9,252	178.54	1,651,852			7,875	1,147	1,406,075.70	204,785.38	1,201,290.32
	A	8,105	B	1,021	C	82	D	44											
Audit quantity	A	86	B	833	C	170	D	58											
Two coats Marmoran universal glaze satin onto Caledonplast									H3										
On walls									m2	9,252	73.60	680,947			6,422	976	472,662.88	71,833.60	400,829.28
	A	8,105	B	1,021	C	82	D	44											
	A	6,654	B	0	C	0	D	0											
Audit quantity	A	86	B	662	C	170	D	58											
TILING																			
WALL TILING									H2										
600 x 600 x 10mm Thick non-slip chemical and acid resistant full bodied unglazed porcelain tiles, best approved tile adhesive is to be applied over the entire area where tiles are to be fitted, and all bedded to a true and even surface. Joints shall be flush and neatly grouted with an approved grout, colour to match tiles and wall and floor tiles to line up									H3										
On walls									m2	1,144	854.22	977,228			987	986	843,123.68	842,260.92	862.76

	A	735	B	208	C	28 6	D	22 1											
	A	679	B	136	C		D	17 1											
600 x 600 x 20mm 'Eco Volakas' polished marble tile fixed with TYL-Pro 6hr white natural stone tile adhesive with bonding liquid, strictly to supplier's specifications and joints to be 2mm wide and shall be flush and neatly grouted with an approved grout, colour to match tiles and expansion joints to be determined by supplier to avoid cracking									H3										
On walls (Floors)									m2	104	2,018.94	209,970			35	35	71,228.20	71,228.20	0.00
	A	104	B	0	C	0	D	0											
	A	35	B	0	C	0	D	0											
On walls (600 x 600 x 15mm)									m2		2,432.94				51	47	125,174.76	114,348.18	10,826.58
Audit quantity		47																	0.00
265 x 308 x 8mm "Douglas Jones" Ceramic arezzo hexagon [code: 8027U] or similar approved mosaics on plaster bedding (plaster elsewhere) and flush pointed with TAL tile grouting on brickwork or concrete (wastage provisional at 20% and subject to re-measurement)									H3										
On walls									m2	25	3,497.73	87,443			11	3	37,250.82	10,493.19	26,757.63
	A	25	B	0	C	0	D	0											
Audit Quantity	A	3	B		C	0	D	0											
300 x 300 x 7mm "Douglas Jones" 'white and black octagonal' [code: 457] or similar approved mosaics on plaster bedding (plaster elsewhere) and flush pointed with TAL tile grouting on brickwork or concrete (wastage provisional at 20% and subject to re-measurement)									H3										
On walls									m2	64	2,255.61	144,359			46	44	104,457.30	99,246.84	5,210.46
	A	29	B	42	C	0	D	0											
	A	6	B	38	C	0	D	0											
320 x 320mm "Douglas Jones" Luxor natural stone ancient blends mosaic [code: C-6134 ] or similar approved mosaics on plaster bedding (plaster elsewhere) and flush pointed with TAL tile grouting on brickwork or concrete									H3										
On walls									m2	17	3,829.04	65,094			12	9	45,297.54	34,461.36	10,836.18
	A	17	B	0	C	0	D	0											
	A	9	B	0	C	0	D	0											

315 x 294 "Douglas Jones" Ceramic penny round black gloss [code 308] or similar approved mosaics on plaster bedding (plaster elsewhere) and flush pointed with TAL tile grouting on brickwork or concrete									H3										
On walls									m2	2	1,027.07	2,054			3	3	3,122.29	3,081.21	41.08
	A	3	B	0	C	0	D	0											
	A	3	B	0	C	0	D	0											
300 x 300 x 6mm Willow mixed ceramic cut mosaic [code: FTMO0294] or similar approved mosaics on plaster bedding (plaster elsewhere) and flush pointed with TAL tile grouting on brickwork or concrete									H3										
On walls									m2	34	1,477.52	50,236			34	17	49,762.87	25,117.84	24,645.03
	A	34	B	0	C	0	D	0											
	A	17	B	0	C	0	D	0											
GLAZING																			
1000mm high, 12.76mm thick 'Inovision' panoramic balustrade system or similar approved clear frameless toughened laminated glass balustrade to specialist and comply with SANS and AAMSA regulations, maximum 1200mm width per panel and 10mm gap between panels, side mounted with continuous aluminium channel.									H3										
\Frameless glass balustrades									m2	109	9,789.12	1,067,014			85	85	831,096.29	831,096.29	0.00
1000mm high, 12.76mm thick 'Inovision' panoramic balustrade system or similar approved clear frameless toughened laminated glass balustrade to specialist and comply with SANS and AAMSA regulations, maximum 3000mm width per panel and 10mm gap between panels, side mounted with continuous aluminium channel.									H3										
Frameless glass balustrades									m2	108	9,789.12	1,057,225			73	0	710,200.66	0.00	710,200.66
BOUNDARY WALL BETWEEN MAIN PALACE AND STAFF HOUSES																			
MASONRY									H2										
Superstructure									H2										
Brickwork of NFX bricks (14 MPa nominal compressive strength) in class II mortar									H3										
Piers									m3	22	3,956.00	87,032.00			26	26	101,107.87	101,107.87	0.00

One brick walls									m2	240	392.70	94,248.00			373	364	146,652.83	142,942.80	3,710.03
<u>Plastering</u>									H2										
One coat plaster on brickwork									H3										
On walls									m2	685	84.74	58,046.90			953	946	80,797.90	80,164.04	633.86
LEROTHOLI BOUNDARY WALL																			
<u>MASONRY</u>									H1										
<u>Superstructure</u>									H2										
<u>Brickwork of NFX bricks (14 MPa nominal compressive strength) in class II mortar</u>									H3										
Piers including plinth									m3	97	3,956.00	383,732.00			97	97	381,912.24	381,912.24	0.00
One brick walls									m2	382	392.70	150,011.40			382	382	150,011.40	150,011.40	0.00
<u>Stonework</u>									H2										
<u>Walls, linings, cladding etc</u>									H2										
<u>30mm "Lesotho Sandstone" sandstone walls, wall linings, etc etc of uncoursed bullfaced stone including facing and pointing on one side</u>									H3										
620 x 150 mm Wide smooth cladding in stack bond to piers									m2	301	948.17	285,399.17			301	301	285,399.17	285,399.17	0.00
1030 x 150 mm Wide smooth cladding in stack bond to piers									m2	173	1,424.96	246,518.08			173	173	246,518.08	246,518.08	0.00
<u>Sundries</u>									H3										
<u>Precast concrete</u>									H2										
<u>Precast concrete finished smooth on exposed surfaces including bedding, jointing and pointing</u>									H3										
300mm Wide x 75mm high precast concrete coping with top splayed down from centre both sides, finished smooth from the mould with throat along one bottom edge, complete with all necessary reinforcing rods, mesh, etc. for construction and handling purposes, in suitable lengths, bedded and jointed on top of walls in cement mortar									m	339	488.75	165,686.25			339	215	165,686.25	105,081.25	60,605.00
<u>Old World Concrete or similar approved precast concrete coping including bedding, jointing and pointing</u>									H3										

300 x 300 x 100mm Thick overall capping weathered on top to 60mm thick along edges with 10mm drip groove in bottom along edges, bedded and jointed on top of pier in cement mortar	No	38	517.50	19,665.00			38	38	19,665.00	19,665.00	0.00
<u>Plastering</u>	H2										
<u>One coat plaster on brickwork</u>	H3										
On walls	m2	1,025	84.74	86,858.50			1,025	818	86,858.50	69,317.32	17,541.18
<u>THE FOLLOWING TO BOUNDARY WALL BORDER PAVING</u>	H2										
<u>500mm wide border cobble stones</u>	H3										
Paving to sidewalks etc to falls	m2	0	414.00	-							
	m2	83	97.75	8,113.25							
	m2	1,808	17.25	31,188.00			2,248	2,197	38,780.42	37,892.21	888.20
	m2	1,726	188.78	325,834.28			1,726	0	325,834.28	0.00	325,834.28
50mm thick. 30MPa compressive strength bevel paving blocks laid in soilcrete bedding to edges of paving	m2	430	74.55	32,056.50			361	0	26,912.55	0.00	26,912.55
<u>ALUMINIUM WINDOWS, SHOPFRONTS, ETC</u>	H2										
<u>Approved flush glazed shopfront fixed panel with 2x sliding door, Reynars CW</u>	H3										
<u>50 SG aluminium frame glazed with clear solar control glazing and frame finished</u>											
<u>with interpon powder coating D2525, code: QYA 203, Matt Signal White (RAL9003)</u>											
<u>including bracing of jambs with timber and fixing lugs built into brickwork.</u>											
<u>(SF-01, SF-47, SF-83a, SF-83b, SF-83c, SF-83d, SF-83e, SF-79)</u>											
Shopfront 1100 x 3035mm high	No	6	56,863.06	341,178			6	5	341,178.36	284,315.30	56,863.06
Shopfront 900 x 3035mm high	No	1	53,613.26	53,613			1	2	53,613.26	107,226.52	(53,613.26)
<u>Approved flush glazed shopfront with glazed and custom Rheinzink panels Reynars CW 50 SG aluminium frame with</u>	H3										

[illegible]

100 x 70mm Approved timber door frame suitable for one brickwall complete with standard butt hinges, bracing of jambs with timber and fixing lugs built into brickwork (DC_01)									H3										
Solid hardwood frame plugged to walls									No	7	3,536.85	24,757.95		6	5.00	21,221.10	17,684.25	3,536.85	
	A	7	B	0	C	0	D	0											
Audit Quantity	A	5	B	0	C	0	D	0											
300 x 42mm Approved "American Oak" timber frame on one brick wall, bracing of jambs with timber and fixing lugs built into brickwork (S_10)									H3										
Solid hardwood frame plugged to walls									No	15	14,344.05	215,160.75		17	15.00	243,848.85	215,160.75	28,688.10	
	A	17	B	0	C	0	D	0											
Audit Quantity	A	15	B	0	C	0	D	0											
DOORS ETC																			
Solid hardwood door clad both sides with Walnut Veneer (S_04, S_05, S_06, S_08, S_09, DB_03a, DB_03b, E.GF 8A, E.GF 8C, E.GF 8D, E.GF 2C, E.GF 3A E.GF 11A)									H3										
Door 2 x 670 x 2400mm high									No	2	9,801.20	19,602.40		8	2.00	78,409.60	19,602.40	58,807.20	
	A	8	B	0	C	0	D	0											
Audit Quantity	A	0	B	2	C	0	D	0											
Door 2 x 700 x 2400mm high									No	0	9,801.20	-		3	6.00	29,403.60	58,807.20	(29,403.60)	
	A		B	3	C	0	D	0											
Audit Quantity	A	4	B	2	C	0	D	0											
Solid hardwood door clad both sides with Walnut Veneer with 100mm copper inlay at 1000mm fixed to panel above and flush with frame (DT_04, DB_05a)									H3										
Door 2 x 686 x 2400mm high									No	2	9,801.20	19,602.40		2	3.00	19,602.40	29,403.60	(9,801.20)	
	A	4	B	0	C	0	D	0											
Audit Quantity	A	3	B	0	C	0	D	0											



Door 2 x 868 x 2400mm high									No	2	17,233.10	34,466.20			2	1.00	34,466.20	17,233.10	17,233.10
	A	0	B	0	C	0	D	0											
Audit Quantity	A	1	B	0	C	0	D	0											
Allandel or equally approved fire-rated class A single leaf timber door clad both sides with walnut veneer and acoustic sound proofing door seals to installed around door jamb and head (SF_02)									H3										
Door 813 x 2032mm high									No	1	15,083.54	15,083.54			1	-	15,083.54	0.00	15,083.54
	A	1	B	0	C	0	D	0											
Audit Quantity	A	0	B	0	C	0	D	0											
PLUMBING AND DRAINAGE (SANITARY WARE)																			
<u>SANITARY FITTINGS</u>									H2										
<u>Stone Age</u>									H3	0									
Provide a provisional amount of M 32 450.00 (Thirty Two Thousand Four Hundred and Fifty Maloti) supply, delivery and installation of 500 x 500 x 220mm high round sandstone basin									No	2	32,450.00	64,900			2	0	64,900.00	0.00	64,900.00
Allow for mark-up									Item	1	9,735.00	9,735			1	0	9,735.00	0.00	9,735.00
Provide a provisional amount of M 246 500.00 (Two Hundred and Forty Six Thousand Five Hundred Maloti) for supply, delivery and installation of 2050 x 1100 x 700mm oval sandstone bath with 150mm rim ribbon or inner melt, exterior finish to be decided									No	1	246,500.00	246,500			1	0	246,500.00	0.00	246,500.00
Allow for mark-up									Item	1	36,975.00	36,975			1	0	36,975.00	0.00	36,975.00
<u>Geberit</u>									H3	0									
Kombifix cistern for wall hung WC [110.350.0									No	44	3,707.10	163,112			43	43	159,405.30	159,405.30	0.00

0.5] (ref: pg )																					
SWIMMING POOL																					
Preparation work & Plaster - MAIN POOL AND CHILDREN' S POOL										H3											
Laminate pool walls using Epoxy Vinyl Ester resin with 2 x 450gm2, fibreglass mat over primer, apply gelcoat over laminate and pool coat as a finish										m2	138	2,745	378,810			110	0	301,950.00	0.00	301,950.00	
Laminate pool walls using Epoxy Vinyl Ester resin with 2 x 450gm2, fibreglass mat over primer, apply gelcoat over laminate and pool coat as a finish										m2	106	2,745	290,970			85	0	233,325.00	0.00	233,325.00	
Miscellaneous items										H3			0								
Supply and install LED pool lights for main pool										Ite m	8	9,265	74,120			6	0	55,590.00	0.00	55,590.00	
Supply and install LED pool lights for children's pool Waterline tiling [Client specification for all tiles]										Ite m	4	9,265	37,060			3	0	27,795.00	0.00	27,795.00	
										H3			0								
Supply and apply tile adhesive for coping tiles										m	52	285	14,820			36	0	10,260.00	0.00	10,260.00	
Supply and apply grout for coping tiles										m	52	325	16,900			36	0	11,700.00	0.00	11,700.00	
BUDGETARY ALLOWANCES																					
SPECIAL PAVERS TO ROOF										H2											
Allow a Budgetary Amount of M 480 000.00 (Four Hundred and Eighty Thousand Maloti) NET for Special Pavers to the Roof to be executed the main /sub-contractor											Ite m	1	480,000	480,000			0	0	114,501.11	0.00	114,501.11
ITEMS TO BE CONFIRMED "TBC"																					
TOTAL													19,867,042.93					16,911,516.15	10,937,091.69	5,974,424.46	

## Stage One Overpayments

DESCRIPTION	BILLS OF QUANTITIES				AS PER VALUATION		AUDITED QUANTITIES				
					Quantities	Amounts	Quantities	Amounts	Variance		
	Unit				Valuation Qty	Valuation Amount		As Built/Audit	As Built Amount	Difference in Qty	Difference in Amount
		Quantity	Rate	Amount	Quantities	Amounts		Quantities	Amounts	Quantities	Amounts
		A	B	C=AxB	D	E=DxB		F	G=Fx B	H=D-F	I=E-G
PRELIMINARIES											
General Site Meeting Office	H4										
The contractor shall provide, maintain and remove on completion											
an office for the General Site meetings that will take place at											
specified dates by the principal agent during construction,											
minimum size 15 x 4 x 2.7m high internally, suitably ventilated,											
heated, well lit and quiet; fitted with boardroom table, bar fridge,											
pinning board whiteboard and chairs. The offices shall be kept											
clean and fit for use at all times Fixed	Item	1	90,000	90,000	1	90,000		0	0	1	90,000
PILLING											
Setting up plant at each pile position INOSITU CONCRETE AUGERED PILES Drilling in pickable	No H2 H4	240	591	141,900	278	164,298		275	162,594	3	1,704

DESCRIPTION	BILLS OF QUANTITIES				AS PER VALUATION		AUDITED QUANTITIES			
					Quantities	Amounts	Quantities	Amounts	Variance	
	Unit				Valuation Qty	Valuation Amount	As Built/Audit	As Built Amount	Difference in Qty	Difference in Amount
		Quantity	Rate	Amount	Quantities	Amounts	Quantities	Amounts	Quantities	Amounts
		A	B	C=AxB	D	E=DxB	F	G=Fx B	H=D-F	I=E-G
material for piles exceeding 10m and not exceeding 20m deep below ground level										
750mm Diameter augered piles	m	2,880	723	2,082,499	2,439	1,763,108	2,439	1,763,327	0	(219)
Extra over drilling 750mm diameter pile shaft for underreaming enlarged foot 1050mm diameter 30Mpa/19mm reinforced concrete in augered piles	No H4	240	161	38,700	0	0	0	0	0	0
750mm Diameter piles	m	2,880	513	1,477,901	2,439	1,251,207	2,439	1,251,392	0	(185)
Additional concrete in enlarged foot 1050mm diameter for	No	240	699	167,700	278	194,322	275	192,156	3	2,166
750mm diameter piles										
Stripping back head of concrete pile for a height not exceeding 400mm to expose reinforcement, including trimming to defined level and bending reinforcement as necessary for casting into pile cap	H4									
750mm Diameter piles	No	240	430	103,200	278	119,540	275	118,250	3	1,290
TEST CUBES	H2									
Making and testing 150 x 150 x 150mm	No	240	59	14,191	278	16,438	275	16,261	3	177

DESCRIPTION	BILLS OF QUANTITIES				AS PER VALUATION		AUDITED QUANTITIES			
					Quantities	Amounts	Quantities	Amounts	Variance	
	Unit				Valuation Qty	Valuation Amount	As Built/Audit	As Built Amount	Difference in Qty	Difference in Amount
		Quantity	Rate	Amount	Quantities	Amounts	Quantities	Amounts	Quantities	Amounts
		A	B	C=AxB	D	E=DxB	F	G=Fx B	H=D-F	I=E-G
concrete strength test cube										
CONCRETE, FORMWORK AND REINFORCEMENT										
BILL NO. 3										
CONCRETE, FORMWORK AND REINFORCEMENT										
REINFORCED CONCRETE	H2									
30MPa/19mm Concrete	H3									
Strip footings	m3	13	1,333	17,327	29	38,800	29	38,800	0	(0)
Foundation beams	m3	39	1,333	51,982	165	219,939	165	219,939	0	0
Surface beds on waterproofing	m3	94	1,333	125,291	43	57,087	43	57,087	0	(0)
Slabs including beams and inverted beams	m3	1,567	1,333	2,088,623	2,274	3,031,089	2,274	3,031,089	0	(0)
Retaining walls in foundations	m3	57	1,333	75,974	173	230,468	173	230,468	0	(0)
Walls	m3	549	1,333	731,751	404	538,937	404	538,937	0	0
Shaft walls	m3	31	1,333	41,319	27	36,201	27	36,201	0	(0)
Stairs including landings, beams and inverted beams	m3	40	1,333	53,315	134	179,166	134	179,166	0	0
Columns	m3	113	1,333	150,615	108	143,644	108	143,644	0	(0)
BILL No. 13	H1									
PLASTERING	H1									
INTERNAL PLASTER	H2							0	0	0
Two coat plaster with gypsum finish on brickwork	H3							0	0	0
On walls	m2	20,121	71	1,420,945	11,154	787,729	1,746	123,303	9,408	664,426
EXTERNAL PLASTER	H2							0	0	0

DESCRIPTION	BILLS OF QUANTITIES				AS PER VALUATION			AUDITED QUANTITIES			
					Quantities	Amounts		Quantities	Amounts	Variance	
	Unit				Valuation Qty	Valuation Amount		As Built/Audit	As Built Amount	Difference in Qty	Difference in Amount
		Quantity	Rate	Amount	Quantities	Amounts		Quantities	Amounts	Quantities	Amounts
		A	B	C=AxB	D	E=DxB		F	G=Fx B	H=D-F	I=E-G
One coat plaster on brickwork	H3								0	0	0
On walls	m2	1,826	50	92,103	715	36,073		715	36,073	0	(0)
<b>Total</b>				<b>8,965,338</b>		<b>8,898,046</b>			<b>8,138,687</b>		<b>759,359</b>