



public works

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

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19<sup>th</sup> April 2013

Hon T Godi  
Chairperson of the Standing Committee on Public Accounts  
Parliament of the Republic of South Africa  
Cape Town  
8001

Dear Hon. Chairperson

**RE: DEPARTMENTAL RESPONSES ON THE OUTSTANDING QUESTIONS RAISED BY MEMBERS  
DURING THE DEPARTMENT'S APPEARANCE BEFORE THE COMMITTEE MEETING OF THE  
20<sup>TH</sup> MARCH 2013**

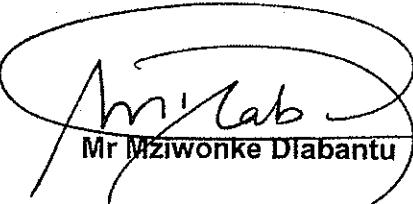
As you are aware, the Department of Public works had on the 20<sup>th</sup> OF March 2013 appeared before the committee to account on 2011/12 Annual Report. The committee raised questions that needed more detail which include among others the following for submission in a month time (20 April 2013):

1. Progress on Performance contracts which should include audit outcomes for DG, CFO and DDGs and Regional Offices Heads for effective governance;
2. PMTE structures policy and related draft policies ;
3. Classification of irregular expenditure and their analysis;
4. List of completed and approved Policies of the department;
5. Details of Consultants, contractors and external computer services utilized by the department;
6. Measures to be put in place to ensure payroll certificates are signed off and
7. Consolidated list of cases being investigated since 2009 and whether the department is keeping track record thereof

RE: DEPARTMENTAL RESPONSES ON THE OUTSTANDING QUESTIONS RAISED BY MEMBERS  
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20<sup>TH</sup> MARCH 2013

I therefore submit herewith the departmental responses as Annexure for committee consideration. We would like to thank the committee for these questions and also express, on behalf of the Department, our sincere gratitude for your continued support.

Kind Regards



Mr Mziwonke Diabantu  
Director-General



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**DEPARTMENTAL RESPONSES ON THE OUTSTANDING QUESTIONS RAISED BY MEMBERS DURING  
THE DEPARTMENT'S APPEARANCE BEFORE THE STANDING COMMITTEE ON PUBLIC ACCOUNTS  
(SCOPA) MEETING OF THE 20TH MARCH 2013**

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2011-12 ANNUAL REPORT AND FINANCIAL STATEMENTS

BY THE DIRECTOR GENERAL – MR M DLABANTU

4/19/2013

The Standing Committee on Public Accounts (SCOPA) having interrogated the 2011-12 Annual Report of the Department on the 20th March 2013 requested the Accounting Officer to provide written responses on some detailed questions not responded to in the meeting.

## TABLE OF CONTENTS

ITEMS	PAGES
1. Introduction	1
2. Departmental responses on outstanding responses:	
2.1. Progress on Performance contracts which should include audit outcomes for top Senior Managers	3
2.2. Property Management Trading Entity (PMTE) structures policy and related draft policies	3
2.3. Classification of irregular expenditure and their analysis	3-7
2.4. List of completed and approved Policies of the department	8
2.5. Details of Consultants, contractors and external computer services utilized by the department	8-9
2.6. Measures to be put in place to ensure payroll certificates are signed of timeously.	10-11
2.7. Consolidated list of cases investigated since 2009 and whether the department is keeping track record thereof?	11-12
3. Recommendation	12
4. Appendices	13

## 1. INTRODUCTION

The Standing Committee on Public Accounts hearing was convened in terms of National Assembly Rule 206 to interrogate the departmental annual report for the period 2011-12 including the financial statements. In this light, the Executive Authority and the Accounting Officer was requested to appear before the Committee on the said date to respond to questions the committee wished to ask to the department. The Committee further requested the department to update it on the construction of Presidential residence in Nkandla as it relate to security measures.

Emanating from the meeting as stated above, the department was requested to submit a written representation on the substantial issues that were not responded to at the meeting, *inter alia*:

- i. *Progress on Performance contracts which should include audit outcomes for DG, CFO and DDGs and Regional Offices Heads for effective governance;*
- ii. *PMTE structures policy and related draft policies ;*
- iii. *Classification of irregular expenditure and then analysis;*
- iv. *List of completed and approved Policies of the department;*
- v. *Details of Consultants, contractors and external computer services utilized by the department*
- vi. *Measures to be put in place to ensure payroll certificates are signed off and*
- vii. *Consolidated list of cases investigated since 2009 and whether the department is keeping track record thereof*

## 2. DEPARTMENTAL RESPONSES ON THE OUTSTANDING QUESTIONS RAISED BY MEMBERS

The department, having investigated the issues and comments as raised by the members wishes to provide responses as follows:

**2.1. Progress on Performance contracts which should include audit outcomes for top Senior Managers (DG, CFO and DDGs and Regional Offices Heads) for effective governance**

The progress to date is that all Senior Managers have been requested to complete Performance agreements on the approved templates of the department and to submit completed agreements and work plans to Corporate Services by no later than 31 April 2013.

This requirement has also been reinforced by the Executive Committee (EXCO) to ensure compliance as part of clean audit project. The Corporate Services branch will assess all Level 14 and 15 performance agreements to ensure compliance in the first 2 weeks of May 2013, noting that managers are expected to submit their signed Pas by end of April 2013.

**2.2. Property Management Trading Entity (PMTE) structures policy and related draft policies**

See attached hereon **Appendix 1**

**2.3. Classification of irregular expenditure and their analysis**

The classification and analysis of irregular expenditure is depicted on the following tables below:

**Table 2 - Classification and Analysis of Irregular Expenditure per Incident - DPW**

<b>Threshold</b>	<b>Amount</b>	<b>%</b>	<b>Number of Trans</b>
Three Quotations not attached	637 439.89	0.35	10
Tax Clearance certificate not attached	180 000.00	0.10	1
Approval not according to Delegations	15 721 142.64	8.65	1367
No procurement process followed	165 237 417.47	90.90	132
	<b>181 776 000.00</b>	<b>100</b>	<b>1 510</b>

**Table 3 - Classification and Analysis of Irregular Expenditure per Amount – DPW**

Threshold	Amount	%	Number of Transactions
R0 - R500 000	18 328 584.60	10.08	1473
R500 001 - R1 000 000	5 043 673.85	2.77	7
R1 000 001 - R5 000 000	44 092 905.49	24.26	19
R5 000 001 - R20 000 000	89 576 947.26	49.28	10
R20 000 000 >	24 733 888.80	13.61	1
	181 776 000.00	100	1 510



**Table 4 – Classification and Analysis of Irregular Expenditure per Incident - PMTE**

<b>Incident Description</b>	<b>Amount</b>	<b>%</b>	<b>Number of Transactions</b>
Procurement process not followed	349 073 417.13	24.74	79
Three quotes not attached	27 672 098.92	1.96	224
TCC not attached	101 310 172.04	7.18	33
Leasing	482 584 450.44	34.21	2334
Delegations	66 468 024.42	4.71	23
General	383 708 391.53	27.20	64
	<b>1 410 816 554.48</b>	<b>100</b>	<b>2 757</b>

**Table 5 - Classification and Analysis of Irregular Expenditure per Amount - PMTE**

<b>Threshold</b>	<b>Amount</b>	<b>%</b>	<b>Number of Transactions</b>
R0 - R500 000	161 380 632.24	11.44	2 554
R500 001 - R1 000 000	41 608 762.37	2.95	61
R1 000 001 - R5 000 000	190 801 245.15	13.52	90
R5 000 001 - R20 000 000	396 062 782.69	28.07	38
R20 000 000 >	620 963 132.02	44.01	14
	<b>1 410 816 554.48</b>	<b>100</b>	<b>2 757</b>

2.4. List of completed and approved Policies of the department

The list of completed and approved policies is attached hereto as Appendix 1

2.5. Details of Consultants, contractors and external computer services utilized by the department

Table 6 - Details of consultants, contractors and external computer services - DPW

	1 089 202.51	Licensing of screening software	
	1 117 399.65	Licensing of procurement software	
	7 997 450.00	Licensing Microsoft office software	
	2 837 159.11	Supply and Installation of Video Conference for CGO	
	3 029 734.79	Licensing database software	
	16 070 946.06		

Table 7 - Additional details of consultants, contractors and external computer services - DPW

	1 185 000.00	Facilitation and co-ordination of the programmes (providing strategic and operational guidance to DPW's core business)	
	2 138 583.00	Immovable assets Consultants	
	16 912 040.10	Food for waste and municipal waste collection	
	6 871 541.39	Moveable Assets Consultants	
	1 636 186.00	Construction of three low bridges in rural areas in the EC Province	
	1 119 587.99	Construction policy development	
	1 235 668.33	Property Specialist consultant	
	31 098 606.81		

**2.6. Measures to be put in place to ensure payroll certificates are signed of timeously.**

The approach to ensure payroll certificates are signed off timeously has been concluded as a remedial action to audit finding. Regions are in the process of nominating relevant officials at the regional level for this purpose. A workshop will be convened once all officials are appointed to ensure that they are fully briefed on what is expected of them.

The Human Resource Unit has devised an action plan for the management of payroll which is depicted on the table below:

**Table 8 - Action Plan for management of payroll**

NO.	FINDING	ROOT CAUSE	ACTION	PROGRESS/STATUS	TARGET DATE
	Human resource management and compensation Persons in charge at pay points did not certify on the date of payment that all employees listed on the payroll report were entitled to the payment, as per the requirements of Treasury Regulation	Non-compliance by managers of units to sign off payroll control sheets and return on time. Distance between the site where the employees are working for example Magistrate Courts/ Waterworks Plants and where the responsible supervisors are	Circular to be issued to all managers to comply  Register to be compiled and updated on monthly basis by HO Payroll and Finance in the Regions pertaining to Units not complying in their region.	Circular was sent to all employees in the department  Register is completed and updated on monthly basis  Reminders are sent to all units on	Done  Monthly



2009/10 - of the thirty five (35) cases of allegations received; 12 have been completed and reports/memos issued; 10 at various phases of investigations, 13 referred to SIU/Business Units/Provincial Departments and 0 have not yet been started;

2010/11 - of the twenty eight (28) cases of allegations received; 14 have been completed and reports/memos issued; 6 at various phases of investigations, 8 referred to SIU/Business Units and 0 have not yet been started;

2011/12 - of the seventy nine (79) cases of allegations received; 33 have been completed and reports/memos issued; 26 at various phases of investigations, 20 referred to SIU/Business Units/SAPS and 0 have not yet been started;

2012/13 - of the fifty eight (58) cases of allegations received; 4 have been completed and reports/memos issued; 39 at various phases of investigations, 1 referred to SIU and 14 have not yet been started.

A comprehensive list of investigated cases by the department is attached hereon as **Appendix 2**.

### **3. Recommendation**

The department therefore recommends that the committee considers the responses as provided and extend the words of appreciation on robust engagement that ensued during the previous meeting.

**M DLABANTU**

**DIRECTOR GENERAL**

## **APPENDICES**

**Appendix 1** - Property Management Trading Entity (PMTE) structures policy and related draft policies

**Appendix 2** - List of completed and approved policies.

**Appendix 3** - A comprehensive list of investigated cases.



## **Appendix 1**

# **Property Management Trading Entity (PMTE) structures policy and related draft policies**

## REPORT ON PROPERTY MANAGEMENT TRADING ENTITY

### **DEPARTMENTAL PROPOSAL ON THE POSSIBLE INTERIM STRUCTURING OF THE PMTE FUNCTION**

The request for a possible future business structure and Policies for the existing Property Management Trading Account (PMTE) by the Standing Committee on Public Accounts refers.

For the purpose of this report it was assumed that the function of PMTE as originally approved by National Treasury is absorbed in the Department and that it is finding application in the day to day deliverables. This assumption gave rise to the team using the existing organogram of the Department as a point of departure to identify the functions and the structures directly involved in the strategic and operational deliverables associated with PMTE. The benefit of this approach is that the formalisation of a proposed interim structure for PMTE should fundamentally only entail a re-organization of existing structures and capacity. It can be expected that there will be a naming impact and most probably also an immaterial number of revised positions in order to properly organize management oversight and operational efficiency. With minimum change impacting on the existing dispensation it is therefore expected that this can be achieved and approved with minimum delay. The recommendations made in this regard in essence therefore cover a short term (bridging) arrangement until a more scientifically researched and longer term solution is implemented that also drives enhanced efficiencies for both the Department and the PMTE.

It is our view that the eventual long term decision on the format and structure of PMTE is a key strategic and policy decision of the Department / Government taking into account the mandate of public works as well as the developmental agenda of Government. To this end, the long term decision on the eventual business model of PMTE requires a much more detailed interrogation and wider consultation with key strategic stakeholders of industry and the Department.

With the limited resources and time available, it was not possible to deal with the contemplated restructuring of the PMTE in great detail. This report merely intends to identify basic Property Management functions and look at the most practical way in which it can be linked to the approved Trading Account currently being operated. It should also be noted that the proposed solution is merely an interim arrangement to fundamentally satisfy audit requirements in the short term. It does not intend to represent a solution that will enhance operational efficiencies, which is a further consideration that should certainly also be addressed as soon as possible. Feedback received from senior management indicates that this will be covered by means of a comprehensive Organisational Functional Analyses (OFA) to be undertaken by the DPSA soon. This is expected to be completed and approved for implementation by 1 April 2014.

## **REPORT ON PMTE INTERIM SOLUTION**

Before doing analyses of the functions already provided for in the Department's structure, the Finance Stabilisation Team deems it important to shortly highlight some fundamental business options with regard to structures that can support the revised business model of PMTE. It should however be noted that the recommendations made at this stage are based on our experience and views only whilst highlighting the advantages and disadvantages of the three business options discussed below.

### **Background to the approval of the PMTE**

The Department obtained approval from National Treasury (NT) in 2006 to establish a Trading Account for the Department. This approval was in response to, and to align to the 1997 White Paper on Public Works to devolve accommodation related costs to client departments. Unfortunately to date this approval has not been fully institutionalized. There is no functional structure that makes provision for the PMTE on the organizational structure of the Department nor has the "core business" of the trading entity been clearly defined or costed in terms of an approved business case. This places various question marks on inter alia; the relationship between the Department and the PMTE (related party relationship), its operational processes and the accountability framework.

A draft business case was submitted to National Treasury on 28 November 2005 as a "declaration of intent" on which the NT approval referred to above was based. This business case for PMTE has unfortunately to date not been finalized and presented to NT and DPSA for approval against which implementation could take place. There is consequently also no management framework against which the business processes of PMTE can be evaluated to test their efficiencies in pursuit of the mandate of the Department.

The only function that can be identified and which has been operationalized to date albeit minimally is the finance function at Head Office. This has been unavoidable because of the requirement for a different set of financial statements to be drafted in accordance with GAAP requirements. This is a complete deviation from the Department which should only comply with modified cash basis of accounting and fundamental GRAP standards.

When the PMTE was in principle approved by the NT, approval was granted to the Department to deviate from GAAP requirements until the function and the supporting systems could be firmly established and operationalized. In the meantime, the mentioned approvals have lapsed whilst no commercial accounting platform is yet in place and PMTE is subsequently still not in a

## **REPORT ON PMTE INTERIM SOLUTION**

position to comply with GAAP. Given that the accounting deficiencies can also be linked back to the structure and business case of PMTE, this is the primary reason for the disclaimed audit opinions over the last few years.

The following background information and basic options on what business structures can be considered for the PMTE is shortly stated together with its advantages and anticipated disadvantages.

### **Roll back into the Department**

A first possible option for the Department will be to consider the rolling back of the PMTE into the Department. Because the Department has not identified the organizational structure of the PMTE, there will be no adjustments or changes needed for this course of action. Similarly, the business case has also not been approved by NT. There will therefore be no requirement to review the business processes of the Department – it will simply assume its historical role as the custodian and manager of all national properties on behalf of government. The funding of the Department's operations and strategies in pursuit of its mandate will be solely dependent on annual appropriations by Parliament negotiated via normal Treasury channels.

The approval of the Trading Account granted by NT in 2006 will however have to be reversed. This should not represent a serious challenge as it should not entail a complex or a long process to reverse the approved dispensation which has not yet been implemented.

### **Advantages**

1. One set of financial statements for both the Department and the "old / former PMTE".
2. Similar accounting treatment (GRAP) which officials are mostly conversant with.
3. No uncertainty with regards to staff and their employment benefits.
4. Existing systems (mostly transversal) are in place and can be used for both functions.
5. It will not be necessary to determine the monetary value of the related party relationship of the department / PMTE.
6. Amounts due to or by the Department to PMTE will simply be reversed.
7. Staff is familiar with established business processes which can remain in place.
8. The only changes will relate to efficiency enhancement which can be implemented through a systematic implementation plan over time.

## **REPORT ON PMTE INTERIM SOLUTION**

### **Disadvantages**

1. Settlement of the bank overdraft facility which at the end of the 2011 / 12 financial year was approximately R 1,3 billion. It is uncertain whether the NT will be willing to make such funding available additional to the annual appropriation to pay for these accumulated operating expenses.
2. The Department will lose the ability to retain revenue (in the form of the devolved budgets), from other Departments and apply it for operational purposes. This will hamper the ability to effectively maintain state owned property.
3. The Department will have to revert back to the historical methodology of annually competing for property maintenance funds (against higher priority services) through the Treasury budgeting cycle.

### **Full implementation of the Trading Account**

The Department already has an approval in place from the NT for the establishment of a Trading Account. This approval merely needs to be implemented in full as required in terms of the Public Finance Management Act, 1999. To achieve this, a number of fundamental deliverables will be required:

- An organizational structure needs to be approved for the Trading Account by the DPSA. This structure can be an integral part of the Department and will then also report to the Director – General and the Minister.
- The strategic plans for both institutions can easily be aligned to ensure synergy in pursuit of the mandate of managing the immovable asset portfolio of government at a national level.
- The business case for the Trading Account will have to be finalised and presented to the DPSA and NT for approval. This should reflect the alignment of business processes, the optimization of resources and the impact on social and economic benefits to government.
- A commercial accounting and billing system will need to be acquired and customized for the operations (functions) of the Trading Entity. NT approval for this is already in place and it can therefore be operationalized in the medium term.
- If it is deemed necessary an advisory board can be established to advise the Minister on the specialised functions of the PMTE.

## REPORT ON PMTE INTERIM SOLUTION

- Current finance staff will need to be supplemented and comprehensively trained in accounting practice that will comply with GAAP requirements.

### Advantages

1. The existing functional arrangement on the organizational structure can be readily identified and dedicated towards the property management portfolio (trading account). Through mere re-organisation existing staff currently performing these functions can be retained and therefore no need for substantial additional resources will be needed (and consequential delays in obtaining approvals for it).
2. There should be no interruption, disruption or delay of existing operations.
3. There is already a draft business case dealing with the business intent as it was originally envisaged in 2005. This document can therefore be updated and modified in a short space of time before presenting it to the relevant authorities for approval.
4. The Trading entity as a governmental component will be able to receive revenue from other Departments and retain it for operational purposes. This will enhance the capacity to do maintenance of State owned property.
5. The bank overdraft of R 1,3 billion as at the end of the 2011 / 12 financial year can be dealt with as part of the Entity's liabilities as a going concern. This will result in no immediate funding being required from NT.
6. A commercial business approach can be adopted in support of the development of the portfolio of State owned assets. This implies that compensation can be received from client Departments with regard to their accommodation needs. Similarly management fees can be determined and levied (with NT approval), in support of the property management interventions required.
7. Funding (grants) can still be received as annual appropriations as and when required.

## REPORT ON PMTE INTERIM SOLUTION

### Disadvantages

1. Two sets of financial statements will need to be compiled based on two different accounting standards (for the Department and the Trading Account).
2. Accounting for the Trading Entity will need to be fully compliant with GAAP. For this purpose no commercial accounting platform is yet in place. Similarly, staff are not fully conversant with GAAP accounting requirements.
3. Initially there may be uncertainty with regards to staff and their employment benefits. It should however be emphasized that the trading entity will be part of the department and therefore not have any special or different compensation dispensation that applies to it.

### Establishment of a Public Entity

The establishment of a Public Entity will bring a level of independence to the function. As a public entity, the function will be devolved from the Department to another legal persona which will act semi – independently from the Department. This in practice implies that the public entity will have its own Board of Directors managing its strategic direction and deliverables whilst still reporting to the Minister of Public Works through a shareholders compact agreement.

This is however a functional form that will require a longer lead time to implement due to the onerous legal and regulatory requirements. Over and above the approvals required from the DPSA and the NT, an Act of Parliament will also have to be put in place to define the functional business, rights and obligations of the organization, composition and regulatory framework of the board of directors, accounting and reporting framework, etc. Such an Act normally needs substantial time to draft, lobby and successfully pilot through the Parliamentary process.

A public entity can either be listed as a schedule 2 or schedule 3 entity in terms of the Public Finance Management Act. A schedule 2 listing represents major public entities which are normally associated with business enterprises such as ESKOM, TELKOM, TRANSNET, etc. These institutions normally do not receive appropriation grants regularly from government as they are financially independent. It is not envisaged that the Property Management function will in the medium to long term have such financial capacity and therefore this option will not be dealt with in further detail.

A schedule 3 Public Entity can be established under the auspices of the Minister of Public Works as a long term solution based on a more comprehensive commercial strategic vision in support of government's national objectives.

## REPORT ON PMTE INTERIM SOLUTION

### Advantages

1. The Public Entity will have a large extent of financial independence with regard to its expenditure (budget) and revenue generating capability. This will depend on the financial powers conferred on the Entity through its Act. Assuming that it will be a schedule 3 entity, NT approval is normally associated with annual financial planning of the entity at a macro level.
2. A commercial business approach can be adopted in support of the development of the portfolio of State owned assets. This implies that compensation can be received from client departments with regard to their accommodation needs. Similarly management fees can be determined and levied in support of the operational requirements as specified in its regulating Act.
3. Funding (grants) from government can still be received as annual appropriations as a normal course of operations or on an ad hoc basis when required.
4. Staff can be recruited for operational needs and will normally enjoy a more flexible and rewarding compensation dispensation than that of a government department.
5. Operational efficiency is normally enhanced due to less onerous processes that are enforced on public entities by controlling bodies such as NT (finance and SCM) and DPSC.

### Disadvantages

1. A long lead time is required to get the necessary approvals and pilot an Act through the Parliamentary process.
2. Political support will need to be caucused for the proposed Act and the specific powers and duties to be conferred on the Entity.
3. The structure of the Department will be eroded with the line function responsibilities transferred to the public entity. This may require a substantial re-organisation of the Department which may also affect the grading of some of the senior management positions remaining in the Department.
4. Staff may want to be transferred to the Public Entity as it will be perceived to be a more beneficial employer.



## REPORT ON PMTE INTERIM SOLUTION

For the purposes of this proposal it is assumed that the preferred alternative for the PMTE would be to retain its business form of a Trading Account. Options will therefore be considered on how to set the PMTE up as a government component of the Department of Public Works under the control of the Director – General or Minister directly. This may also be considered as a first phase to eventually transform into a different and more preferred organizational form to be implemented in the medium to longer term.

For the purpose of a short term interim arrangement it is **therefore recommended that the PMTE be structured as a government component of the Department of Public Works and set up to operate as a fully-fledged Trading Account** until the OFA by the DPSA is completed.

### Departmental structure based on functions

Attached please find **Annexures** which reflect the way in which Regional offices and Head Office have been structured respectively.

#### Regional Offices

The structure for regional offices as contained in Annexure A, reflect a very basic structure in terms of which business process operations are organised. The Finance and SCM directorate provide all decentralized support services to a region. Over and above this, there are three line function directorates responsible for:

- Projects;
- Property Management; and
- EPWP.

Regional Offices are the key delivery arm of all functions of the Department and they, in most cases, act as the direct interface with client departments for both PMTE and DPW functions. As they do not have the primary responsibility relating to the conceptualization and directing of PMTE functions and are dependent on the Head Office structures for this, these functions at regional level will not be further analysed at this stage. After the Head Office structure has been dealt with and particular recommendations are made, regional dispensations will need to be aligned to the Head Office operating model to ensure appropriate chains of command and operational efficiency. It is also important to consider the level of centralization / decentralization to support operational optimization. In this regard the state of readiness considering inter alia; current systems, standard operating procedures and skills will need to inform a decision in this

## REPORT ON PMTE INTERIM SOLUTION

regard. These considerations will however not be taken into account now (where an interim arrangement is proposed) but should certainly receive focused attention when a permanent solution is researched during the OFA by DPSA.

### Head Office

At Head Office, the line functions are organized into seven Branches. This is in contrast to regional offices that only have three line function delivery directorates. The reason for this deviation is not clear as no obvious difference in functional focus could be identified other than the normal principles of prescribing policy norms and standards at Head Office level and basic delivery mechanisms at regional level. It does however; seem as if a higher level of functional disaggregation prevails at head office. This may be due to the intensity of the responsibility for setting policy, monitoring operational efficiency, reprioritization of national targets and review of business processes which are not normally associated with regional implementation responsibilities. Should this be the case, the volumes of these functional oversight responsibilities should be accurately measured before they can be considered as substantiated motivation for this level of functional specialisation.

The current line function branches of the Department are:

1. **Key Accounts Management** – To provide Key Account relationship management.
2. **Asset Investment Management** – To provide an IAR and do asset management planning.
3. **Property Management** – To provide leadership in the management of properties, facilities, offices and accommodation.
4. **Projects** – To provide infrastructure planning and execution.
5. **Inner City Regeneration** – To improve the working environment of government departments in designated areas.
6. **Policy Regulation** – To develop, manage, regulate and monitor construction and property policies.
7. **EPWP** – To manage the development and implementation of the EPWP.

A basic analysis of the above functions clearly reveals **four functional areas (or groupings)** of responsibility: