



public works

Department:

Public Works

REPUBLIC OF SOUTH AFRICA

Annual Report 2013/14

1st April 2013 – 31st March 2014

Presentation to the
Portfolio Committee on Public Works
14th October 2014
Cape Town

South
Africa
Works
because of
Public
Works

Purpose

Purpose of the Presentation by the Department of Public Works

- To reflect on the 2013/14 Non-Financial and Financial Performance of the Department of Public Works in order for the Portfolio Committee to advise on improving performance

Layout

Discussion Item	Slide Numbers
1. Performance Information (Chapters 1 - 3)	5-17
2. Human Resource Information (Chapter 4)	19-25
3. Annual Financial Statements and Audit Report Information (Chapter 5 – Part A and B)	27-53
4. Audit findings and corrective measures	55-57

1. PERFORMANCE INFORMATION

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Key Achievements – *(from page 24)*

In the year under review the following were reported:

- **Operation Project Overhaul**

In response to the slow rate of delivery and the recurring problem of under expenditure. It required the following:

- tightly managing the completion of service delivery agreements
- Development and Completion of C-AMPs and U-AMPs
- Issuance of comprehensive procurement instructions
- Timeous procurement of consultants and contractors and
- Delivery of infrastructure projects in order to align with the MTEF cycle

- **Asset Register Enhancement Projects**

- Extensive engagements took place with the National and Provincial custodians to analyse and reconcile registered land with the intention to improve the State immovable asset registers
- As it stands, 95% of the land parcels (15,300) and buildings (32,570 properties) have been physically verified – work has commences to meet all the other assertions prescribed by the National Treasury.

- **Asset Register cont.**

- In the year under review, the Department transferred properties to the PMTE with a carrying value of R3.6 billion which comprised a number of different valuation methods. In accordance with the transitional provisions as per Directive 2 of the Accounting Standards Board, certain properties are now reflected at provisional amounts
- Under the Generally Recognised Accounting Practice (GRAP), municipal values were applied to 4 134 Investment properties amounting to R3.9 billion. The remainder of the properties will also be reflected at Municipal Values by 31 March 2016

- **ICT overhaul**

- Information Communications Technology (ICT) is a critical enabler and provides support to the core business of the Department. As a result, a new trajectory of increasing the reach of ICT into all facets of the business areas is being pursued
- A phased approach over the next five years will entail a key revamp of the ICT portal to allow for enhanced communication with internal and external users. Phase 1 has commenced with an infrastructure upgrade, including the planned establishment of Disaster Recovery and Business Continuity centers

- **Lease Review Process**

- This is one of the major challenges facing the Department . With the assistance of the National Treasury, the Department embarked on a lease review process to address lease backlogs, imminent expiring leases, business processes and the Department's lease contracts.
- A comprehensive review of leased properties was completed and included their physical verification (approximately 2,778 leased properties that includes leases of government owned properties spread across 11 regional offices) . In addition, the Department finalised the Lease Management Policy and Strategy as part of business processes re-engineering for the lease portfolio

- **Property and Facilities Management prescripts**

- The Department developed Property and Facilities Management prescripts encompassing Policy, Strategy, Specifications Guidelines and Contracts Document for facilities management and a policy on leasing in relation to energy efficiency initiatives
- The Department participated in the Inter-departmental Task Team and contributed to the development and implementation of pilot interventions such as:
 - Energy Performance Certificates (EPC)
 - Vertical-Nationally Appropriate Mitigation Actions (V-NAMA)
 - Energy Efficiency through Smart Metering.

- **Establishment of Governance, Risk and Compliance Branch**

- In a bid to improve management practices, governance structures and processes to improve efficiencies, strategic management and decision-making, a Governance, Risk and Compliance Branch was established in the Department. This branch is intended to ensure optimum utilisation of resources and promote compliance.

- **Fraud and Corruption**

- In the year under review, the Anti – Corruption Policy And Strategy were revised. This is part of projects 5 of the Turnaround Plan. A whistle blowing policy was also developed to encourage reporting on corruption indicators.

Key Operational issues – (from page 56)

The following are some of the operational developments in the period under review:

- Adoption of the **Infrastructure Delivery Management System** (IDMS) that will serve as a catalyst to improve the delivery of infrastructure
- Development of the **Service Delivery Model** – with development of standards for KAM to improve client relations, property and projects to improve quality of completed projects.
- War-room within **SCM** to deal with a huge backlog and improve delivery and avoid unnecessary delays. This is one of the critical challenges facing the Department.
 - Training officials within the SCM processes are major initiators to improve delivery/procurement processes.
- Continuous efforts to deal with **Capacity Constraints** within the Department as well as within the Professional services. Efforts are still geared to changing the Project Manager ratios from 1:20 to 1:5.
- Significant efforts to **Operational PMTE**. Through a number of PMTE meetings and discussions, PMTE proposal has gone through to cabinet

Key Operational issues Cont.

- Infra-structure under spending - the Construction Management Programme (CMP) identified a number of challenges such as
 - Inadequate management and control of projects
 - Scoping of projects
 - Poor planning and design
 - Funding allocations not aligned to project delivery

This necessitated remedial measures to overhaul the Departments project delivery. The Department has institutionalised Infrastructure Delivery Improvement Programme (IDIP) and IDMS.

Programmes of the Department – *(from page 62)*

Programme 1: Administration

Purpose: To provide strategic leadership and support services, including the accommodation needs and overall management of the Department

Programme 2: Immovable Asset Management

Purpose: To provide and manage Government's immovable property portfolio in support of Government's social, economic, functional and political objectives

Programme 3: Expanded Public Works Programme

Purpose: To ensure the creation of work opportunities and the provision of training (in targeted Sub-Programmes) for unskilled, marginalized and unemployed people of South Africa by coordinating the implementation of the Expanded Public Works Programme

Programme 4: Property and Construction Industry Policy Regulation

Purpose: To regulate and promote the growth and transformation in the construction and property industries. Promote uniformity and best practices in construction and immovable asset management in the public sector

Programme 5: Auxiliary and Associated Services

Purpose: To provide for various services, including compensation for losses on the Government - assisted housing scheme and assistance to organisations for the preservation of national memorials. Meet the protocol responsibilities for state functions.

Summary of Targets Achieved over the Period under Review

Programme 1 Administration	Programme 2 Immovable Asset Management	Programme 3 Expanded Public Works Programme	Programme 4 Property and Construction Industry Policy Regulation
Approved Internal Audit Plan that assist with internal controls	99,140 properties verified through physical verification and updated in accordance with National Treasury's minimum requirements	271 municipalities reported on EPWP targets	Draft Agreement South Africa (ASA) Bill approved by Cabinet for gazetting for public comment in December
25 Fraud Awareness Workshops conducted	2014/15 C-AMP completed. 2015/16 C-AMP chapters completed	1,012,664 work opportunities reported through EPWP	IDT business case Submitted as part of the Governance and accountability structure of the Independent Development Trust (IDT)
Trainings conducted on understanding performance information also guided by an approved Institutional M&E Policy	179 construction projects completed	49% Youth 61% Women 1.018% Persons with disabilities participated in EPWP	PMTE Business Case submitted for ministerial approval

Summary cont

Programme 1 Administration	Programme 2 Immovable Asset Management	Programme 3 Expanded Public Works Programme	Programme 4 Property and Construction Industry Policy Regulation
Customised performance indicators developed with Provincial Public Works (Oversight role of the Department)	Management of 2 441 lease payments against an initial portfolio of 2778	144,463 work opportunities created on provincial access roads projects were reported	
Training conducted on Risk management	Development of a Business Case for Property Management to guide the processes for the leasing of private property		
	1 214 Inspections (in accordance to OHSA) conducted on construction projects Nationally		

Summary cont

Programme 1 Administration	Programme 2 Immovable Asset Management	Programme 3 Expanded Public Works Programme	Programme 4 Property and Construction Industry Policy Regulation
	<p>Workshops undertaken with 10 user Departments on compliance to GIAMA in terms of the UAMP</p> <hr/> <p>Prestige policy, norms and standards developed</p>		

Key Challenges

There are some challenges regarding the Core Business of the Department – this is evidenced by the non-achieved targets. The challenges include:

Internal	External
<ul style="list-style-type: none">• Capacity constraints (organisational structure)• Budgetary constraints• Delays experiences in the procurement (SCM)• Lack of integrated ICT systems to enable operations as well as reporting• Corruption, mismanagement and Maladministration (management practices)• Inadequate planning, risk management, Service Delivery Improvement and monitoring and evaluation	<ul style="list-style-type: none">• General dissatisfaction by clients• Slow delivery of infrastructure

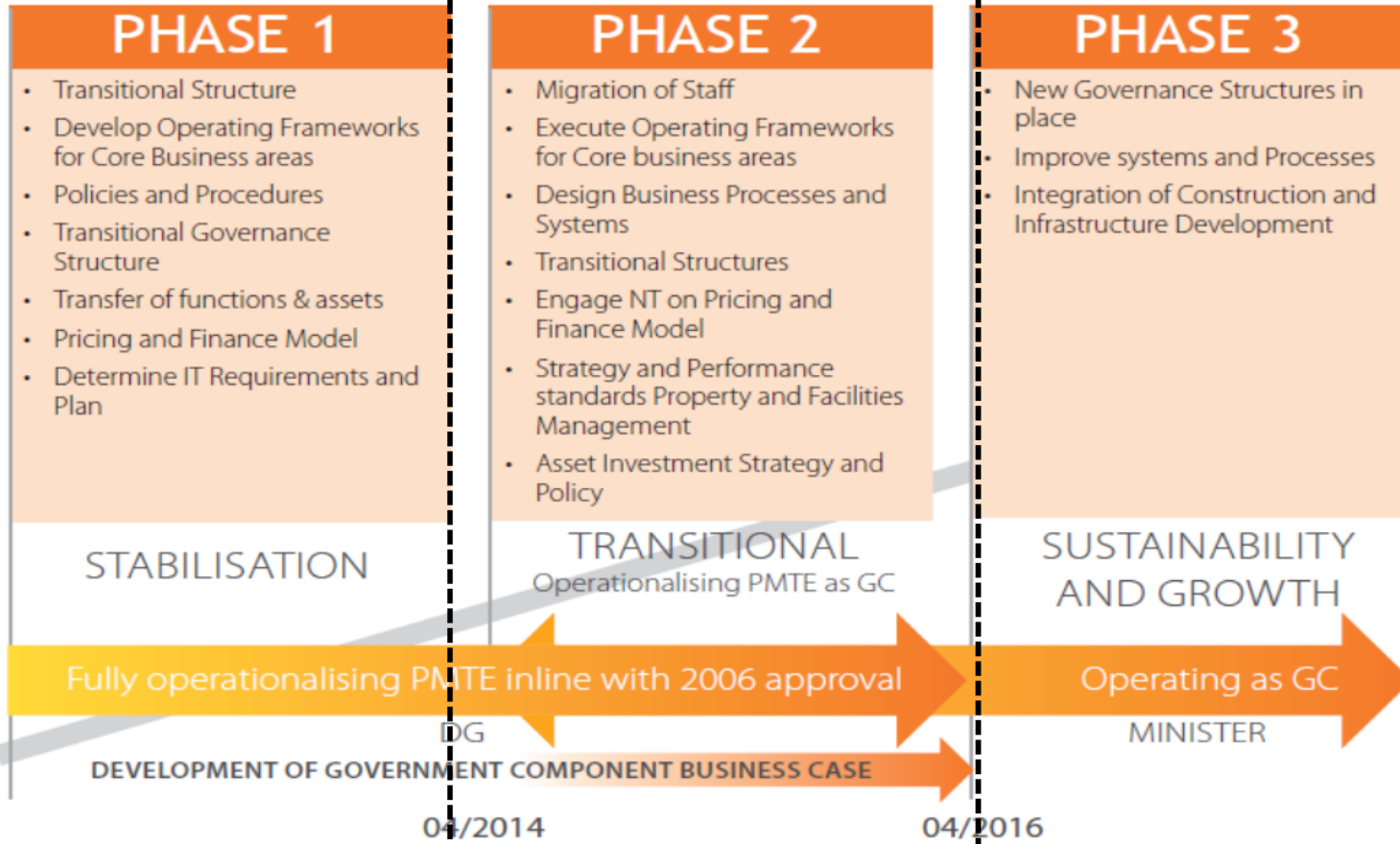
Strategies to address challenges – (from page 107)

In 2011/12, the Department launched the Turnaround Programme in 2012 to remedy eight consecutive years of under – performance and progressively worse audits outcomes.

- This Plan to Rebuild the Department of Public Works was developed to map a process that guarantees success in restoring the Department’s organisational health across all perspectives.
- It primarily seeks to implement the Business Improvement Strategy and Programme to rebuild the Department of Public Works through a phase approach
 - Phase 1 – Stabilisation
 - Phase 2 – Efficiency Enhancement
 - Phase 3 – Sustainability and Growth
- The Turn Around Plan marks a significant reconfiguration in the strategic direction of the Department to adequately respond to
 - clients’ needs
 - Good corporate governance and capacity building
- Implementation of this plan will contribute towards a strengthened relationship between organisational goals and performance, greater transparency, clearer lines of accountability, and detailed information platforms to enable better oversight

3 phase approach to the Turnaround Plan.

Focus as part of strategies to rebuild and improve efficiencies in the Department



2. HUMAN RESOURCE INFORMATION

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Employment and Vacancy – *(from page 148)*

The department has 7 043 posts created in the establishment (include funded and non funded posts)

- 5 710 posts are filled and 1 333 positions are vacant
- Out of the 1 333 vacant positions, 187 are critical positions
- 646 number of positions additional to the structure

Measures to address the vacancy rate

- The department has an approved HR plan as well as a draft Recruitment Plan to deal with scarce skills capacitation in line with the available budget on the compensation of employees
- The approval of the new structure will result in the activation of only funded vacant positions.

Measures to address the vacancy rate

- Implementation of scarce and critical skills capacity building programmes (Young Professionals, Management Trainees and Artisan Development) to address skills shortage and the vacancy rate
- Non extension of contracts and where there is funding, positions will be advertised and filled.

Annual Turnover per critical occupation

During 2013/14 financial year:

- 399 employees left the department
- 21 of these employees are in the critical occupations (13 in the Engineering and related professions)

Reasons why people are leaving the department

Termination type	Number	% of total resignations	% of total employment
Death, permanent	42	10,5	0,8
Resignation permanent	112	28,1	2,1
Expiry of contract, permanent	148	37,1	2,8
Discharge due to ill health, permanent	3	0,8	0,1
Dismissal misconduct, permanent	7	1,8	0,1
Retirement permanent	86	21,6	1,6
Other, permanent	1	0,3	0
Total	399	100	7,5
Resignation as % of employment			
7,5			

Skills development

Occupational categories	Male				Female				Total	People with Disability			
	A	C	I	W	A	C	I	W		A	C	I	W
Occupational categories	A	C	I	W	A	C	I	W		A	C	I	W
Senior Managers & Legislatures	38	4	2	6	38			6	94	7			2
Professionals	140	23	10	90	133	7	2	19	424				
Technicians @ Associate Professionals	13	0	0	5	7	0	0	1	26				
Clerks	313	23	3	10	405	20	17	37	828				
Service & Sales Workers	14	2	0	0	5	0	0	0	21				
Craft & Related Trade	117	16	9	11	43	0	1	1	198				
Plant & Machine Operator Assembler	11	0	0	0	0	0	0	0	11				
Elementary Workers	40	0	1	0	42	1	0	1	84				
TOTAL	686	68	25	122	673	29	20	64	1,686	7			2

Equity: Total number of employees including employees with disabilities

Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Senior Managers & Legislatures	63	2	3	13	34	3	4	5	127
Professionals	230	31	19	106	216	7	2	25	636
Technicians @ Associate Professionals	495	23	7	40	747	46	8	67	1,433
Clerks	208	27	1	25	391	29	10	92	773
Service & Sales Workers	64	8	0	3	35	1	0	0	111
Craft & Related Trade	134	50	8	68	32	0	0	1	293
Plant & Machine Operator Assembler	50	11	4	0	7	1	0	1	74
Elementary Workers	761	231	8	18	1,097	140	3	4	2,262
TOTAL	2005	383	50	273	2550	227	27	196	5710
Employees with disabilities	20	9	1	16	11	2	0	6	65

3. AUDITED FINANCIAL STATEMENTS AND AUDIT REPORT INFORMATION

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DPW – PROGRESS ON AUDIT OUTCOMES (pages 173-179)

2011/12 Disclaimed - 8 areas

Irregular expenditure	Fruitless and wasteful expenditure	Immovable tangible capital assets	Operating leases	Receivables for departmental revenue	Lease commitments (operating)	Commitments	Related parties
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Turnaround initiative commenced

2012/13 Qualification – 3 areas

Irregular expenditure	Fruitless and wasteful expenditure	Immovable tangible capital assets	Operating leases	Receivables for departmental revenue	Lease commitments (operating)	Commitments	Related parties
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Continue with improvements

2013/14 Unqualified audit opinion



APPROPRIATION STATEMENT

FOR THE YEAR ENDING 31 March 2014

DPW SHIFTING / VIREMENT PER PROGRAMME (Page 180)

2013/14				
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of funds	Virement	Final appropriation
	R'000	R'000	R'000	R'000
1. ADMINISTRATION				
Current payments	1 116 931	(7 788)	(25 656)	1 083 487
Payment for financial assets	-	7 788	-	7 788
2. IMMOVABLE ASSET MANAGEMENT				
Current payments	1 391 176	(1 290)	(14 138)	1 375 748
Transfers and subsidies	855 064	1 290	50 000	906 354
Payment for capital assets	735 530	-	(50 000)	685 530
3. EXPANDED PUBLIC WORKS PROGRAMME				
Current payments	281 139	-	(10 692)	270 447
Transfers and subsidies	1 664 208	-	-	1 664 208
4. PROPERTY AND CONSTRUCTION INDUSTRY POLICY REGULATIONS	-	-	-	-
5. AUXILLIARY AND ASSOCIATED SERVICES				
Current payments	27 417	-	50 486	77 903

DPW ACTUAL EXPENDITURE AGAINST APPROPRIATION PER PROGRAMME (Page 180)

APPROPRIATION STATEMENT	2013/14			
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
1. ADMINISTRATION				
Current payment	1,083,487	1,068,284	15,203	98.6%
Transfers and subsidies	1,156	856	300	74%
Payment for capital assets	40,075	22,123	17,952	55.2%
Payment for financial assets	7,788	7,788	-	100%
	1,132,506	1,099,051	33,455	
2. IMMOVABLE ASSET MANAGEMENT				
Current payment	1,375,748	1,348,529	27,219	98%
Transfers and subsidies	906,354	906,349	5	100%
Payment for capital assets	685,530	607,351	78,179	88.6%
	2,967,632	2,862,229	105,403	
3. EXPANDED PUBLIC WORKS PROGRAMME				
Current payment	270,447	270,257	190	100%
Transfers and subsidies	1,664,208	1,659,895	4,313	99.7%
Payment for capital assets	2,622	1,538	1,084	58.7%
Payment for financial assets	-	-	-	
	1,937,277	1,931,690	5,587	

DPW ACTUAL EXPENDITURE AGAINST APPROPRIATION PER PROGRAMME (CONT.)

APPROPRIATION STATEMENT	2013/14			
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation
	R'000	R'000	R'000	%
4. PROPERTY AND CONSTRUCTION INDUSTRY POLICY REGULATIONS				
Current payment	36,357	22,281	14,076	61.3%
Transfers and subsidies	200	10,429	(10,229)	5214,50%
Payment for capital assets	125	48	77	38.4%
	36,682	32,758	3,924	
5. AUXILLIARY AND ASSOCIATED SERVICES				
Current payment	77,903	77,903	-	100%
Transfers and subsidies	23,261	19,023	4,238	81.8%
	101,164	96,926	4,238	
TOTAL	6,175,261	6,022,654	152,607	97.5%

DPW ACTUAL EXPENDITURE AGAINST APPROPRIATION PER ECONOMIC CLASSIFICATION (Page 183, notes on page 195)

	2013/14				2012/13	
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	%	R'000	R'000
Current payments						
Compensation of employees	1,480,628	1,471,497	9,131	99.4%	1,381,450	1,374,552
Goods and services	1,363,305	1,315,755	47,550	96.5%	1,203,845	977,014
Interest and rent on land	-	-	-	-	9,774	21
Transfers and subsidies						
Provinces and municipalities	1,225,778	1,221,445	4,333	99.6%	3,090,982	2,969,955
Departmental agencies and accounts	803,694	802,412	1,282	99.8%	752,986	751,640
Foreign governments and international organisations	20,510	17,555	2,955	85.6%	18,941	15,436
Public corporations and private enterprises	100,000	100,000	-	100%	50,800	50,800
Non-profit institutions	438,281	448,679	(10,398)	102.4%	282,724	292,627
Households	6,925	6,463	462	93.3%	11,876	11,875
Gifts and donations	-	-	-	-	3	20
Payments for capital assets						
Buildings and other fixed structures	626,206	567,365	58,841	90.6%	999,254	713,003
Machinery and equipment	85,676	47,511	38,165	55.5%	59,558	43,283
Software and other intangible assets	16,470	16,184	286	98.3%	25,857	501
Payments for financial assets	7,788	7,788	-	100%	3,198	3,198
Total	6,175,261	6,022,654	152,607	97.5%	7,891,248	7,203,925



EXPLANATORY NOTES TO EXPENDITURE VARIANCE

- Goods and service - Under-spending relates to office accommodation (municipal services and accommodation charges) and Immovable asset project starting late
- Transfer payments -
 - Provinces and municipalities - Decrease from prior year allocation due to phasing out of the devolution of property rates and taxes to provinces
 - Public corporations - Increase in allocation to IDT approved by Treasury during the adjustment budget process
 - Foreign governments (contribution to war grave memorial) - Under-spending due to impact of exchange rates
- Payments for capital assets
 - Buildings - under-spending due to delays in implementing infrastructure projects
 - Machinery and equipment - under-spending relates to invoices received late from supplier

TRANSFER OF FUNCTIONS (note 35, page 239)

Effective 1 April 2013: Transfer of functions from DPW to PMTE (Operationalization of the PMTE)

- Facilitate improved service delivery
- Property management functions were formally transferred from the Department to the PMTE
- PMTE organisational component of the Department
- Legal status of a Trading Entity approved by the National Treasury in terms of the Public Finance Management Act
- This functional transfer was comprehensive in nature and, inter alia included all related assets, legal obligations, systems and staff to ensure a seamless transition and ensure that assets are matched to expenses and obligations

Significant transfer	Principle
Immovable assets	<ul style="list-style-type: none">• Effective date of transfer 1 April 2013• Transfer at no cost/consideration.• Assets transferred at carrying amount (as disclosed in DPW's financial statements)



FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 March 2014

DPW FINANCIAL PERFORMANCE (page 198)

	2013/14 R'000	2012/13 R'000	Movement R'000
Revenue			
Annual appropriation	6 175 261	7 891 248	(1 715 987)
Departmental revenue	55 470	53 795	1 675
Expenditure			
Compensation of employees	1 471 497	1 379 272	92 225
Goods and services	1 315 755	972 294	343 461
Interest and rent on land	-	21	(21)
Transfers and subsidies	2 596 554	4 092 353	(1 495 799)
Tangible capital assets	614 876	756 286	(141 410)
Intangible assets	16 184	501	15 683
Payments for financial assets	7 788	3 198	4 590
Surplus for the year	208 077	741 118	(533 041)

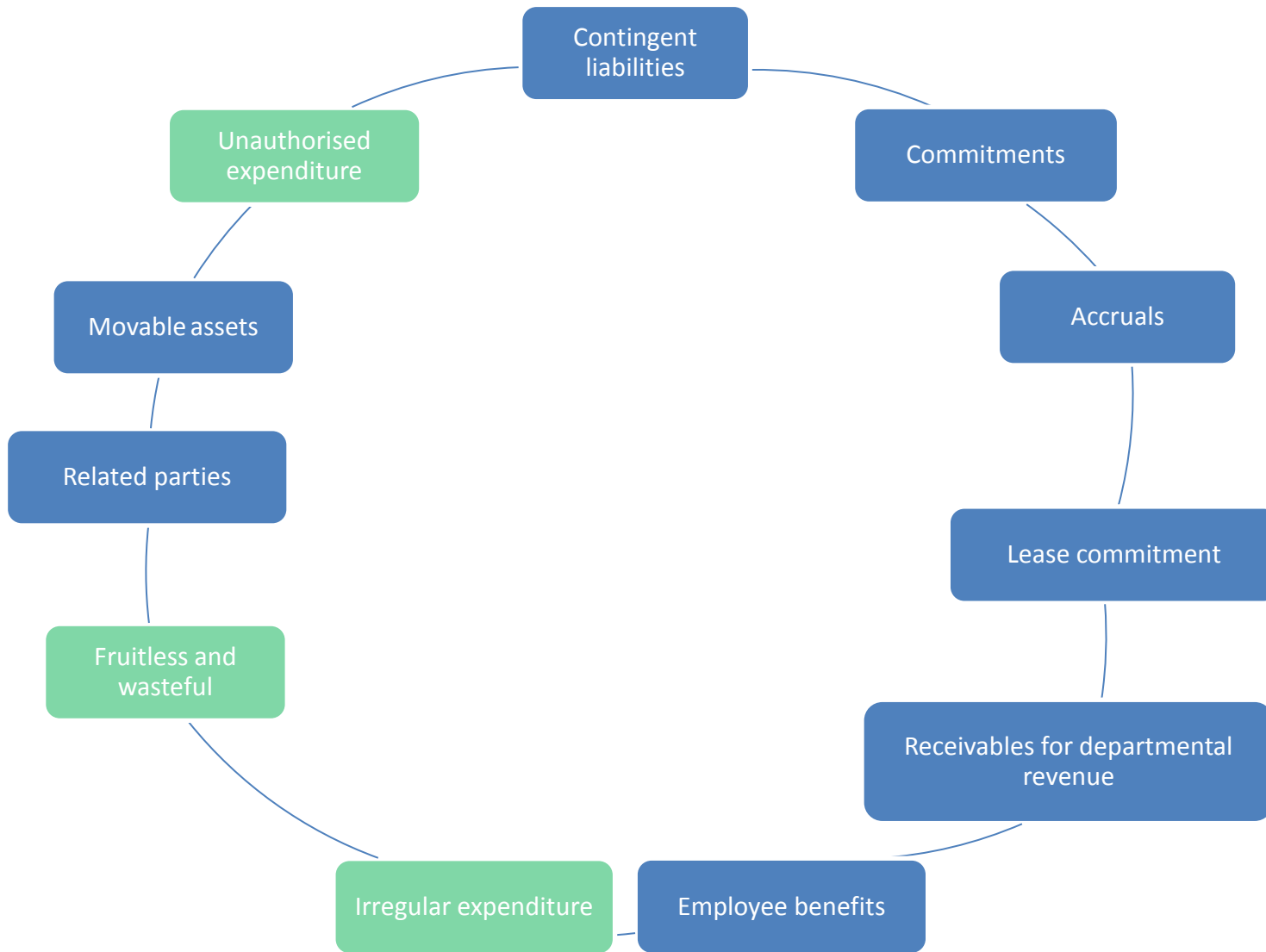
DPW FINANCIAL POSITION (page 199)

	2013/14 R'000	2012/13 R'000
Assets		
Unauthorised expenditure	255 668	249 453
Cash and cash equivalents	179	439 804
Prepayments and advances	30 294	38 244
Receivables	76 667	258 895
Liabilities		
Voted funds to be surrendered to the Revenue Fund	158 838	853 713
Departmental revenue to be surrendered to the Revenue Fund	46 294	9 450
Bank overdraft	98 177	-
Payables	46 552	65 991
Net assets	12 947	929 154

CASH FLOW STATEMENT (page 201)

CASH FLOW	2013/14	2012/13
	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts	6,230,654	7,945,043
Annual appropriated funds received	6,175,261	7,891,248
Departmental revenue received	54,067	45,960
Interest received	1,326	7,835
Net (increase)/decrease in working capital	164,524	(500,672)
Surrendered to Revenue Fund	(872,323)	(844,800)
Current payments	(2,781,037)	(2,185,195)
Interest paid	-	(21)
Payments for financial assets	(7,788)	(3,198)
Transfers and subsidies paid	(2,596,554)	(4,092,353)
Net cash flow available from operating activities	137,476	318,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets	(631,060)	(756,787)
Proceeds from sale of capital assets	77	-
Net cash flows from investing activities	(630,983)	(756,787)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in net assets	(44,295)	52,184
Net cash flows from financing activities	(44,295)	52,184
Net increase/(decrease) in cash and cash equivalents	(537,802)	(385,799)
Cash and cash equivalents at beginning of period	439,804	825,603
Cash and cash equivalents at end of period	(97,998)	439,804

SIGNIFICANT NOTES TO THE FINANCIAL STATEMENTS (page 210 – 248)



DPW UNAUTHORISED EXPENDITURE (note 9, page 216)

	2013/14 R'000	Prior years R'000
Overspending on compensation of employees	-	67 135
Overspending on goods and services (ASA)	-	13 620
Unauthorised expenditure as a result of capital expenditure on schools	6 215	162 386
Overspending on capital assets by IDT	-	3 985
Overspending on transfer and subsidies	-	2 327
Closing balance	255 668	249 453

DPW IRREGULAR EXPENDITURE (note 25, page 224)

	31 March 2014 R'000	31 March 2013 R'000
Opening balance	754 016	171 643
Add: IE relating to the prior year	37 148	442 792
Add: IE relating to the current year (Note 25.2)	114 904	140 528
Less: IE condoned	(322 479)	(947)
Closing balance	583 589	754 016*
*Comparative figure restated		

DPW FRUITLESS AND WASTEFUL EXPENDITURE (note 26, page 226)

Note to AFS: (note 26)	31 March 2014 R'000	31 March 2013 R'000
Opening balance	50 132	451
Add: F&W relating to the prior year	-	45 368
Add: IE relating to the current year	130	4 313
Less: Amounts resolved	380	-
Less: Amounts transferred to receivables for recovery	(94)	-
Closing balance	49 788	50 132

Part B

Financial Information



- PMTE

- ьWTE

PMTE - PROGRESS ON AUDIT OUTCOMES (page 273 – 279)

2011/12 Disclaimed - 11 areas

IE and fruitless and wasteful	Related parties	Trade and other receivables	Revenue	Prepay-ments	Contingent assets	Trade and other payables	Leases	Municipal rates and taxes	Other commit-ments	Property mainte-nance
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Turnaround initiative commenced

2012/13 Disclaimed - 7 areas

IE and fruitless and wasteful	Related parties	Receiva-bles and exchange revenue	Prepay-ments	Contingent assets	Trade and other payables	Operating lease assets and liabilities	Municipal rates and taxes	Other commit-ments	Property mainte-nance	Retention liability
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Continue with improvements

2013/14 Qualification – 3 areas

Receivables and exchange revenue	Operating lease assets and liabilities	Irregular expenditure	Retention liability	Accruals
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TRANSFER OF FUNCTIONS (note 36, page 345 - 347)

Effective 1 April 2013: Transfer of functions from DPW to PMTE (Operationalization of the PMTE)

- Facilitate improved service delivery
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- PMTE organisational component of the Department
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- This functional transfer was comprehensive in nature and, inter alia included all related assets, legal obligations, systems and staff to ensure a seamless transition and ensure that assets are matched to expenses and obligations

Significant transfer	Principle
Immovable assets	<ul style="list-style-type: none">• Effective date of transfer 1 April 2013• Transfer at no cost/consideration.• Assets transferred at carrying amount (as disclosed in DPW's financial statements)

TRANSFER OF FUNCTIONS (Cont.)

Application of GRAP 105 “Transfer of functions between entities under common control” and Directive 2

GRAP 105	Summary
Transfer of functions between entities under common control	Assets and liabilities should be measured at their carrying amounts (use directive 2 for measurement) Not yet effective so PMTE must apply Directive 2 Principles utilized to develop accounting policies
Directive 2	Summary
Transitional provisions for public entities, municipal entities and constitutional institutions	Contains transitional provisions that where investment property, property plant and equipment, heritage assets, intangible assets, are acquired through a transfer of functions, the entity is not required to measure the said “assets” for a period of 3 years from the effective date of the standard or the date of transfer of functions which ever is the latest.

NON EXCHANGE REVENUE 2012/13

- **Augmentation**
- **Contractor fines**
- **Services in kind***

Services in kind*

- **Expenses paid by DPW obo PMTE**
- **Employee costs paid by DPW**
- **Movement in employee obligations (as DPW will ultimately settle)**
- **Goods and services (travel allowance, rental of cars)**
- **Machinery and other equipment**

NON EXCHANGE REVENUE 2013/14

- **Accommodation charges freehold private (NEW transfer from DPW – surplus accommodation rented out to non client departments, etc.)**

NEW

EXCHANGE REVENUE 2012/13

- **Accommodation charges freehold** (state owned) - Devolution
- **Accommodation charges leasehold** (private leases)
- **Management fees on municipal services** (5% levied on municipal charges paid on behalf of client departments)
- **Construction revenue** (Cost recovery on construction – its GRAP = revenue)
- **Finance income** (interest received: debtors, finance leases and bank balances)



EXCHANGE REVENUE 2013/14



- **Accommodation charges freehold intergovernmental** (state owned) – Devolution from client departments
 - “Revenue on capital additions” – as budgeted for by and recoverable from clients
- **NO MORE CONSTRUCTION REVENUE** (due to trf of assets)
- **Accommodation charges freehold private** (NEW trf from DPW – surplus accommodation rented out to non client depts etc)

Changes to Trading Entity- transfer of function

Financial Position

- PPE
- Intangible assets
- Investment property
- Heritage assets
- Receivables: Freehold Private
- Receivables from non-exchange: Freehold Prestige
- **NO MORE CONSTRUCTION CONTRACTS AND RECEIVABLE**
- Receivables relating to recoverable capital additions included in Receivables: Freehold inter-governmental
- **CHANGE IN ACCOUNTING POLICY – No impairment allowance account – net impairing directly against balance**



PMTE FINANCIAL POSITION (page 280)

	2013/14	2012/13	Comments
	R'000	R'000	
Assets	12 967 591	3 613 183	
Receivables (Exchange and Non exchange)	1 742 093	2 440 796	Improved collection
Operating lease assets	886 212	807 852	Renewed leases
PPE and Investment Prop (R6bn and R4bn)	10 325 289	-	Transfer of functions and construction contracts now capitalised
Other Assets	13 997	350 756	
Liabilities	4 496 154	5 533 816	
Operating Lease Liabilities	847 349	809 658	Renewed leases
Bank Overdraft	433 108	1 402 323	Improved collection
Payables	662 900	1 285 476	Improved payment periods
Provisions (Underpayments and over-recovery of Leases)	2 211 377	1 741 624	Impact of lease review undertaken
Retentions and finance lease obligations	252 925	293 005	Retentions recalculation
Employee Benefit Obligations	88 495	1 730	Transfer of functions
Accumulated Surplus/ (Deficit)	8 471 437	(1 920 633)	Revaluation of PPE

PMTE FINANCIAL PERFORMANCE (Page 281)

	2013/14	2012/13	Comments
	R'000	R'000	
Revenue	10 987 884	9 778 537	
Revenue from Exchange	9 584 166	9 105 304	Annual escalation
Revenue from Non-Exchange	1 403 718	673 233	Services in kind from DPW= revenue (R700m)
Expense	8 128 224	9 825 236	
Operating Expenses	7 504 017	9 805 487	Construction costs capitalised
Interest	2 739	1 880	
Employee	621 468	17 869	Transfer of functions
Surplus/ (Deficit)	2 859 660	(46 699)	Construction costs capitalised

PMTE FRUITLESS AND WASTEFUL (NOTE 25, PAGE 326)

Analysis of fruitless and wasteful	R'000
Opening Balance 12/13	308 129
Incurred during the year	15 217
Incurred during prior years detected in current year	5 137
Amounts condoned	(14)
Closing balance 12/13	328 469
Incurred during the year 13/14	16 186
Closing balance 13/14	344 655

PMTE IRREGULAR EXPENDITURE (NOTE 26, PAGE 326)

Analysis of irregular expenditure – current year	R'000
Opening Balance	3 848 600
Deviations/Procurement process not followed – leases	3 447 385
Deviations/Procurement process not followed – other expenditure	1 920 252
Consultant appointment via Roster system	407 484
3 written quotations not obtained	234 166
Tax clearance certificate related issues	83 596
CIDB related issues	121 172
Total – Current Year	6 214 055
Irregular expenditure – prior year detected in current year	24 583 946
Less: Amount Condoned	(229 396)
Total irregular expenditure	34 417 205



4. Audit findings and corrective measures (DPW&PMTE)

**South
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- Detailed action plans per branch developed to deal with audit findings
- Branch heads have certified the plans for accountability purposes
- Audit action plans presented to Audit Committee
- Audit Committee provided inputs and resolved that reviews to be done by internal audit and AGSA
- Reviews to be signed off by end October

AUDIT FINDINGS AND CORRECTIVE MEASURES - DPW

Finding	Corrective actions
<p>Material under-spending of the vote</p> <p>Procurement and contract management – quotation and tender dispensation not effective</p> <p>Ineffective document management</p>	<p>Improved project planning (Implementation of IDMS), Accountability EXCO quarterly review of infrastructure spent</p> <p>SCM reforms in progress (Demand and acquisition management, contract administration, support and reporting management and procurement processes)</p>
<p>Reliability of reported information</p> <p>Strategic planning and performance management</p>	<p>Increased oversight and accountability</p>
<p>Consequence management</p>	<p>Establishment of a fully functional governance framework regarding consequence management</p>

AUDIT FINDINGS AND CORRECTIVE MEASURES - PMTE

Finding	Corrective actions
Irregular expenditure – Completeness and accruals basis	Provided with AGSA with all supporting documentation for the opening balance. Review of subsequent payments to identify what should have been accrued
Operating leases – not accurately accounted for	All lease data to be verified and accounting records corrected. Implementation of lease management module
Accruals – inadequate system to identify and record all accruals	Implementation of the procured billing and accounting system including the purchasing module

Thank You



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