



public works

Department:

Public Works

REPUBLIC OF SOUTH AFRICA

USE OF CONSULTANTS BY BOTH THE DPW AND THE PMTE

Presentation to Portfolio Committee
23 May 2017

**South
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BACKGROUND & CONTEXT



1. BACKGROUND

- DPW's key mandate: custodian & manager of State's immovable assets (under Minister of PW) => directly **impacts** efficiency and effectiveness of client departments and ability **to deliver services**.
- In **2011**, adverse audit findings and the Minister's engagements with DPW = confirmed that department was in dire state, with areas of dysfunction.
- Corruption, mismanagement and poor performance led to DPW not adequately delivering on its mandate.
- In November 2011, Minister commissioned a rapid diagnostic on the state of affairs in Department.
 - The report detailed problems of mismanagement and misalignment and pointed to the need for fundamental reorganisation, and immediate interventions to stabilise the Department.

2. TAU's DIAGNOSTIC FINDINGS

Diagnostic findings assisted department to identify and set priorities for stabilisation actions .

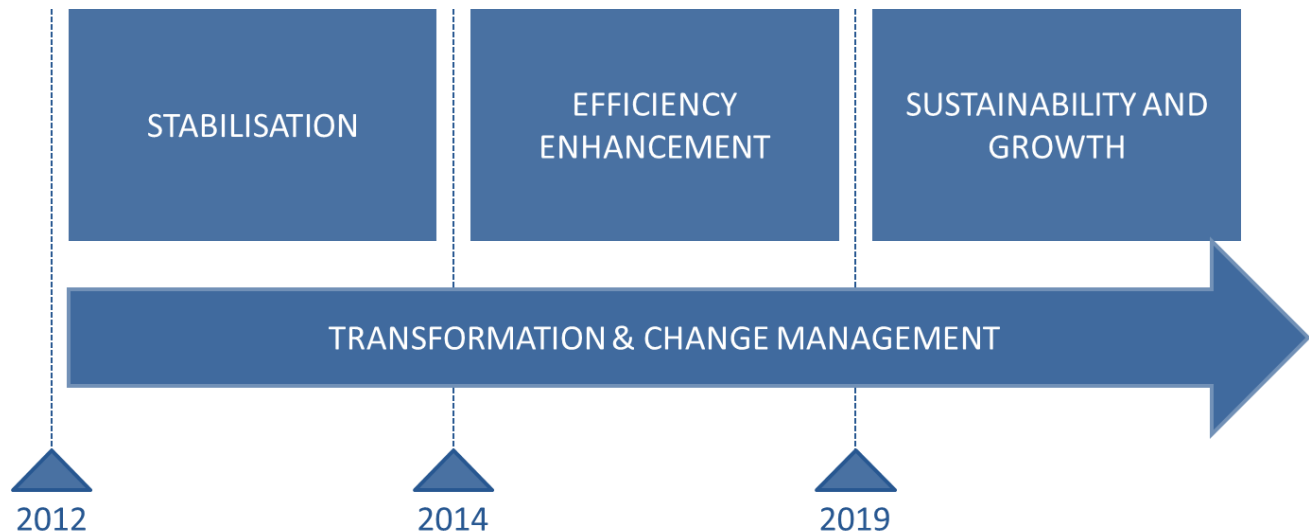
- (a) Leadership instability** - high rate of change of executive and administrative leadership.
- (b) Asset Management** - Asset Register incomplete and inaccurate;
- (c) Prestige** – poor planning and management; lacked policy, norms and standards.
- (d) Property and Facilities Management** – state properties underutilised whilst private sector leasing-in expanding; below market rates for leased-out properties; over-expenditure on maintenance; maintenance backlog; aging properties; lack of professional property management skills; poor lease management systems; large number of bad debtors; and lack of client relations management.

2. TAU's DIAGNOSTIC FINDINGS (Cont.)

- (d) Construction Project Management** – lack of professional and technical skills; cost and time over-runs; poor quality control; under spending and maintenance backlog.
- (e) Inner City Regeneration (ICR)** – delays in the implementation; partnership not translated into action; and under spending.
- (f) EPWP** – performing well although there was poor reporting and only 50% of the incentive grant was disbursed in 2010.
- (g) Corporate Services** – key skills shortage; lack of systems and controls; ICT system not supporting the DPW core business; ineffective management reporting systems; ineffective internal auditing; inappropriate organisational structure; poor controls in SCM; overpriced tenders; and lack of HR plan.
- (h) Policy and Regulation** – The Department is implementer and regulator => conflict of interest.

4. TURNAROUND STRATEGY

- **Turnaround Strategy (7 Year Business Improvement Plan)** was launched Jan 2012 (Ownership with DPW).
- Core of the strategy (2 pillars) =>
 1. **Zero tolerance of fraud & corruption**
 2. **Improving business (Operationalise PMTE)**



4. TURNAROUND STRATEGY

- Emanating from the diagnostic, key stabilisation actions were conceptualised as projects under the Business Improvement Programme.
- A core team was established to conceptualise solutions to go forward.
- The Business Improvement Unit was established in the office of the Director-General to oversee and manage the programme to allow departmental officials to continue day-to-day operations.
- Turnaround Budget was secured and ring-fenced to fund interventions.
- Time and resource constraints (skilled & technical) compelled the Department to **source external providers** to implement key projects, to:
 - Deliver the maximum impact in the shortest period;
 - Risk mitigation;
 - Avoid to substantially increase core team workload;
 - Transfer of skills to identified staff within the Department; and
 - Allow better budgetary control and reduce budget overruns.

5. KEY STABILISATION INTERVENTIONS

- Major **key interventions** were put in place to deal with mainly the following:
 - Immovable Asset Register
 - Clean Audit
 - Fighting Fraud & Corruption
 - Lease Management Review
 - ICT
 - Meeting the needs of Prestige Clients
- The lack of internal capacity to deliver on the above requirements necessitated the procurement of external services.
- With the close of *Stabilisation Phase*, additional areas of risk were identified and conceptualised under the *Efficiency Enhancement Phase*;
 - Water saving and upgrading Water Treatment Programme;
 - Energy savings and greening of Government buildings;
 - Strategy on transforming the sector
- The following slides illustrate the expenditure on consultants for DPW and PMTE

DPW

Consultants, contractors and agency/outourced services

	2013/14	2014/15	2015/16	2016/17 (Preliminary)
	R'000	R'000	R'000	R'000
Business and advisory services	169 405	48 169	26 214	25 700
Infrastructure and planning	18 226	22 866	25 340	32 222
Legal services	18 378	22 466	14 987	17 402
Contractors	100 738	116 259	43 599	22 766
Agency and support/ outsourced services	201 111	256 997	98 892	90 920
Total	507 858	466 757	209 032	189 110

Categories of Consultants and outsourced services

- Expenditure classified under **business and advisory services** relate to the following:
 - Secondments of personnel from other organisations to the Department
 - Construction Charter Council
 - Property Charter Council
 - Internal Audit Support
 - Fraud Investigations
- **Infrastructure planning** expenditure relate to the support provided to Provinces and Municipalities for the implementation of the EPWP projects (Integrated Grants).
- Expenditure classified under **legal services** relate to payments to the State Attorney and for legal services rendered by other organisations.
- **Contractors expenditure** relate to State Functions (i.e. National Orders and State Visits). High expenditure in 2014/15 include Presidential Inauguration and state funerals.

Categories of Consultants and outsourced services

- **Agency and support** expenditure relate to the following services:
 - ICT Support Services
 - Independent Development Trust (IDT) Intermediary for the implementation of the EPWP Non-state Sector
 - EPWP Support Service from the IDT
- High expenditure in 2013/14 and 2014/15 include both DPW and PMTE as the budget was still under the Department vote. The expenditure include spending on the following PMTE projects:
 - Lease review
 - Immovable Asset Register and
 - Special Investigating Unit (SIU)
- With the transfer of the PMTE functions and the related budget in 2015/16, the above projects were also transferred to the PMTE.
- High expenditure in 2013/14 and 2014/15 under agency and support include Finance Intervention project. Reduction in expenditure in the subsequent financial years is in line with the completed project.

PMTE

PMTE CONSULTANT EXPENDITURE 2015/16 – 2016/17

Category	2015/16	2016/17
	R'000	R'000
Immovable Asset Register (IAR)	26,660	29,988
Anti-fraud and corruption investigations (SIU)	79,155	149,409
Verification of municipal debt for Government Departments	82,877	10,712
Construction PMO project and audit support	-	35,000
Energy efficiency monitoring and verification	-	10,000
Turnaround strategy	-	5,147
Business Process Review	-	23,437
Sage/ Archibus development and implementation	9,326	17,630
Total	198,018	281,323

PMTE CONSULTANT EXPENDITURE 2015/16 – 2016/17

- Expenditure against construction projects contractors/ professional consultants have been excluded from the analysis.
- IAR updating and maintenance required additional investment as Directive 2 exemption came to an end on 31 March 2016. IAR has to be fully GRAP compliant in 2016/17 period.
- SIU investigations still ongoing in line with proclamations from Presidency. Expenditure reflected in the table for 2016/17 includes R63 million accruals for unpaid invoices.
- Verification of municipal debt for Government Departments have been finalised and municipalities subsequently paid.
- COEGA, GTAC and DBSA were appointed as implementing agents to assist with the execution of the PMTE Turnaround strategy.
- Service providers were fully engaged with ERP development and data migration for leases, facilities management, infrastructure and asset register modules on Archibus for interfacing with Sage.

EXPENDITURE CONSOLIDATION

Expenditure Consolidation – DPW and PMTE

	2013/14	2014/15	2015/16	2016/17 (Preliminary)
	R'000	R'000	R'000	R'000
Business and advisory services	169 405	48 169	105 369	175 109
Infrastructure and planning	18 226	22 866	25 340	32 222
Legal services	18 378	22 466	14 987	17 402
Contractors	100 738	116 259	43 599	22 766
Agency and support/ outsourced services	201 111	256 997	301 689	222 834
Total	507 858	466 757	490 984	470 333

Thank You



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