



public works

Department:

Public Works

REPUBLIC OF SOUTH AFRICA

Report on Enterprise Resource System (ERS) and Payment of suppliers within 30 days

Presentation by DPW to
PORTFOLIO COMMITTEE – 31 OCTOBER 2017

South
Africa
Works
because of
Public
Works

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PURPOSE

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To brief the Portfolio Committee on the Enterprise Resource System (ERS) through which the DPW and PMTE is improving its payments to service providers more consistently within the 30-day period

OPERATING CONTEXT

DPW (MAIN VOTE) OPERATIONS

Allocation per Economic classification for 2017/18

| | Percentage of total budget | Annual Appropriation |
|---|----------------------------|----------------------|
| | % | R'000 |
| Current payments | | |
| Compensation of employees | 7% | 458 413 |
| Goods and services | 6% | 418 392 |
| Transfers and subsidies | 86% | 6 088 497 |
| Payment for capital assets | | |
| Machinery & equipment / intangible assets | 1% | 13 032 |
| Total | | 6 985 130 |

- The department's role is policy formulation, coordination, regulation and oversight relating to the provision of accommodation and expert built environment services to client departments
- The department is further mandated to coordinate and provide strategic leadership in job creation initiatives through the implementation of the expanded public works programme. Public works is constitutionally designated as a concurrent function exercised by both the national and provincial spheres of government
- The payments to service providers are limited to the administrative expenditure

PMTE OPERATIONS: Scale of Operations

- Facilities maintenance – contracted services (R0.8 billion)
- Day to day emergency maintenance (R1.3 billion) – across all assets owned by the state across the country
- Cleaning and gardening services (R0.3 billion)
- Construction projects (R3.6 billion) – multiple projects across the country
- Municipal services and property rates (R5.3 billion) – Accounts in almost all municipalities
- Leases (Private – R4.3 billion) – 3200 active leases
- Approximately 14 000 payments processed monthly

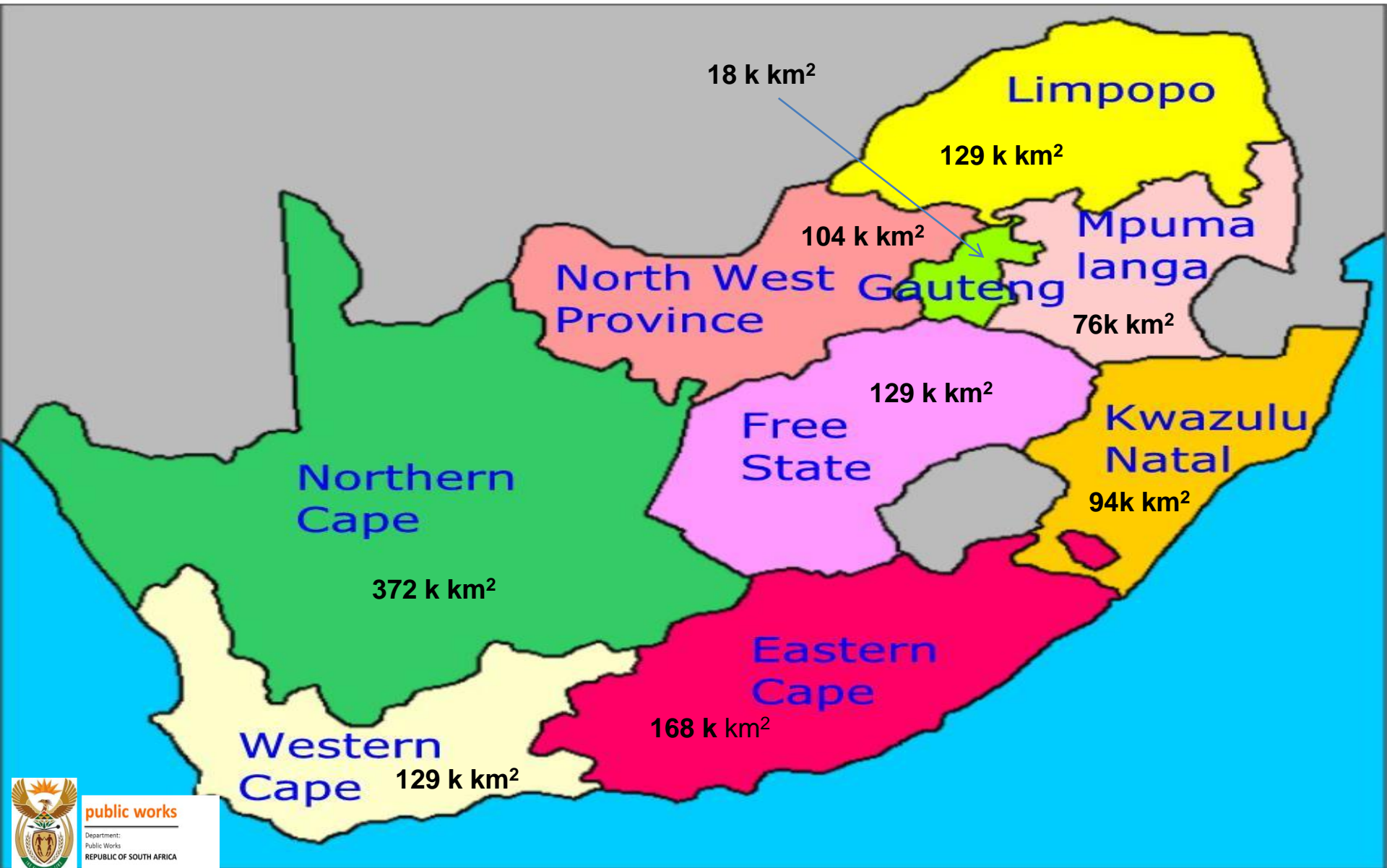
Approximately R15 billion in total supplier payments

Technical Nature of Operations

Certification of work done requires technical professional assessment (Extensive process with multiplicity of role players within the value chain)

- Ratio of project manager overseeing projects (1:20)
- 11 Regional offices located in provincial capitals throughout country
- No satellite offices closer to the service points

PMTE OPERATIONS



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PMTE OPERATIONS

- **NORTHERN CAPE AND KWAZULU NATAL**
- Distance between the office and location of services (inspection and invoice certification)
 - Kimberly to Upington 400 Km
 - Kimberly to Springbok 800 Km
 - Kimberly to Vioolsdrift 915 Km
 - Durban to Ladysmith 230 Km
 - Durban to Kokstad 265 Km
- the above are distances that the department's project managers are traveling in order to ensure that certification of job cards and inspection of work done at projects sites are done before payments can be processed.
- On average one works manager manages 50 calls at any point in time.

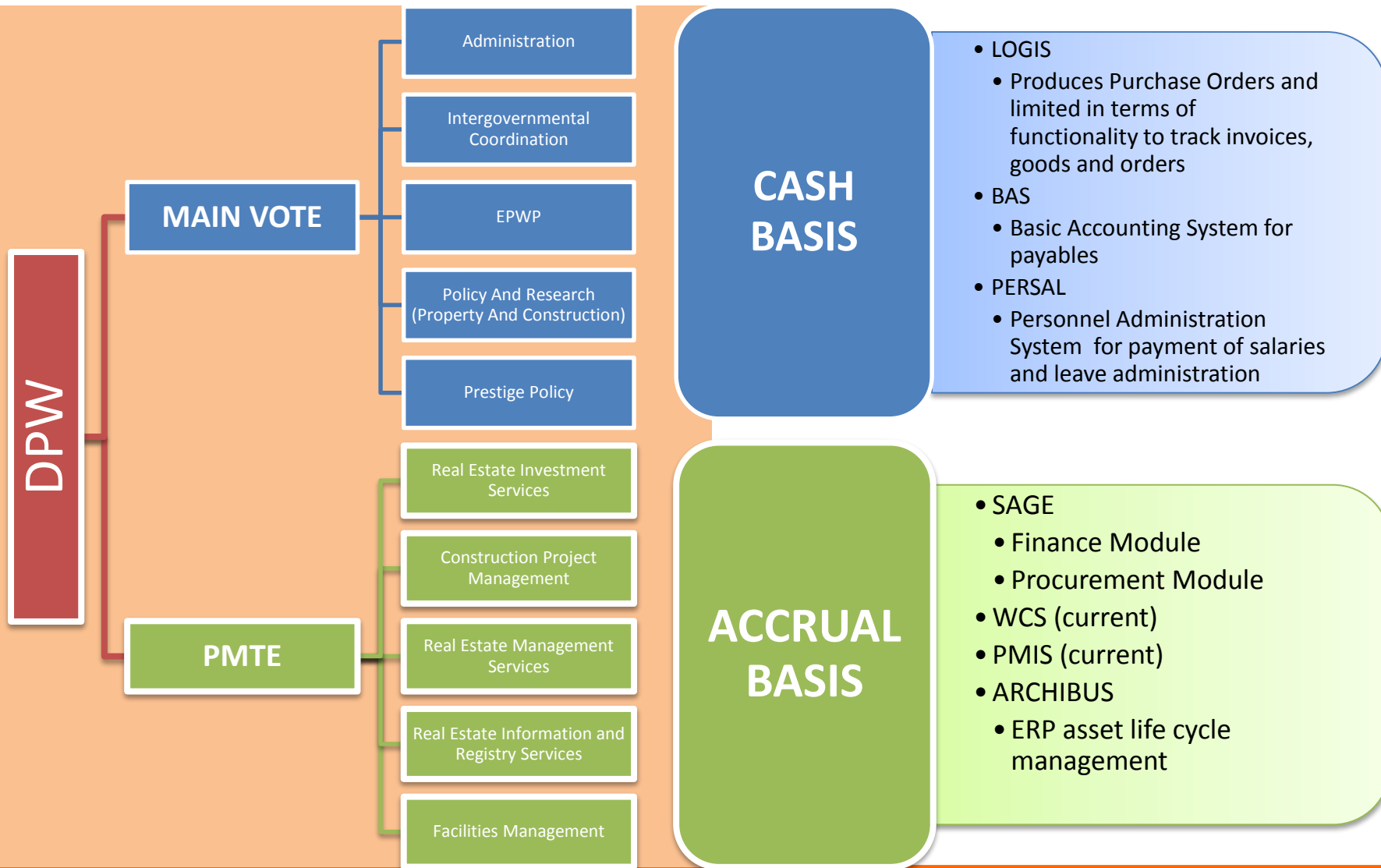
PMTE OPERATIONS

| Region | # of Land Parcels | # of Buildings |
|----------------|-------------------|----------------|
| Bloemfontein | 2 986 | 8 032 |
| Cape Town | 4 046 | 12 853 |
| Durban | 7 385 | 11 112 |
| Johannesburg | 1 920 | 6 150 |
| Kimberley | 2 190 | 8 437 |
| Mmabatho | 1 969 | 7 538 |
| Mthatha | 307 | 1 435 |
| Nelspruit | 2 215 | 10 380 |
| Polokwane | 3 241 | 11 041 |
| Port Elizabeth | 2 066 | 6 332 |
| Pretoria | 1 772 | 9 284 |
| Total | 30 097 | 92 594 |

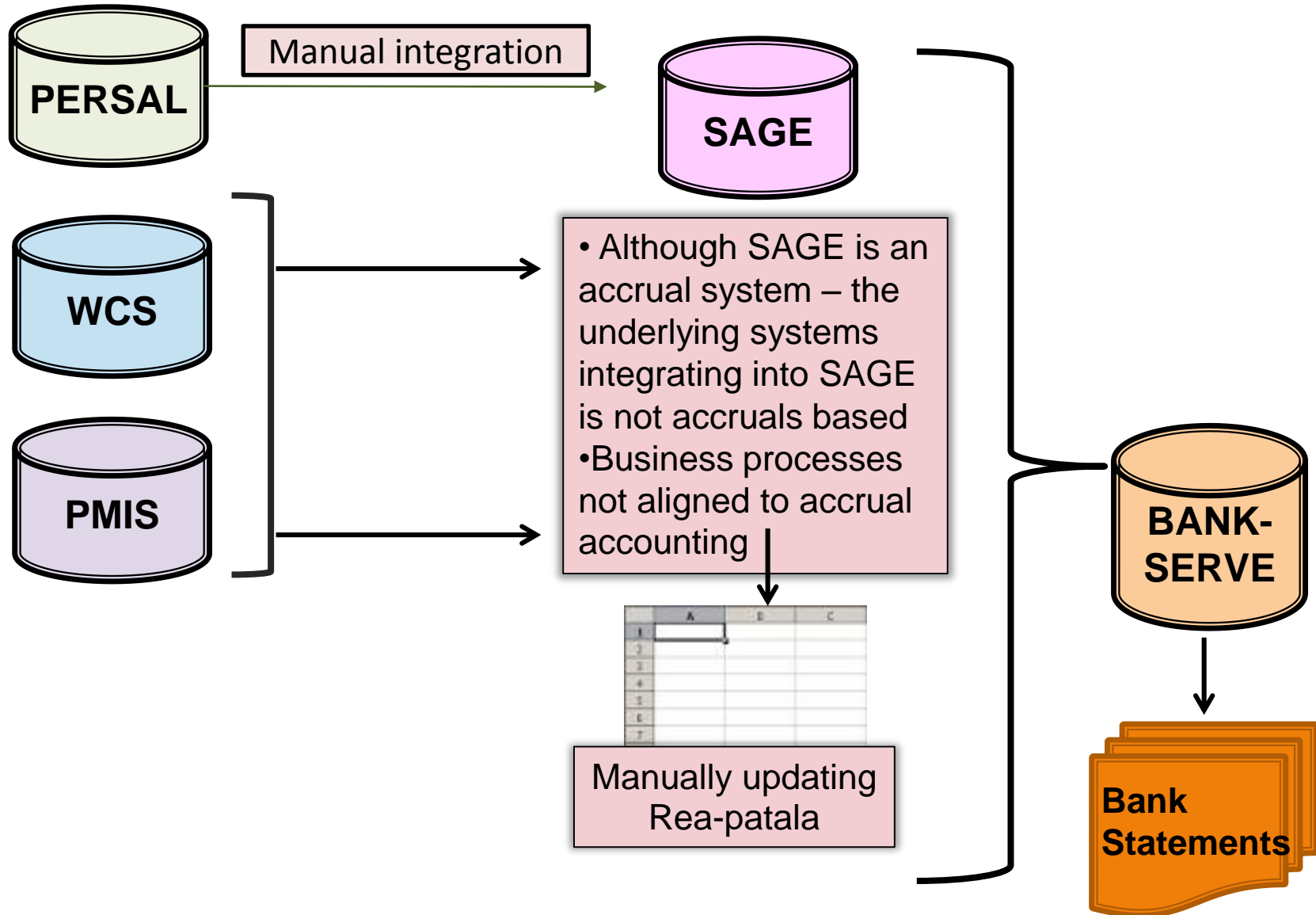
Currently, there are 3,600 projects underway in different stages of construction to the value of R17.8bn.

ICT ENVIRONMENT (CURRENT AND FUTURE)

ICT Environment



PMTE: Current payment approach



Current intervention: Online Invoice Tracking - REAPATALA

Developed in-house by DPW

Out with the Old >> In with the New

Standardized Excel Book based operation



11 Regional Offices Capturing Data on 11 excel templates and submitting to H/O every month

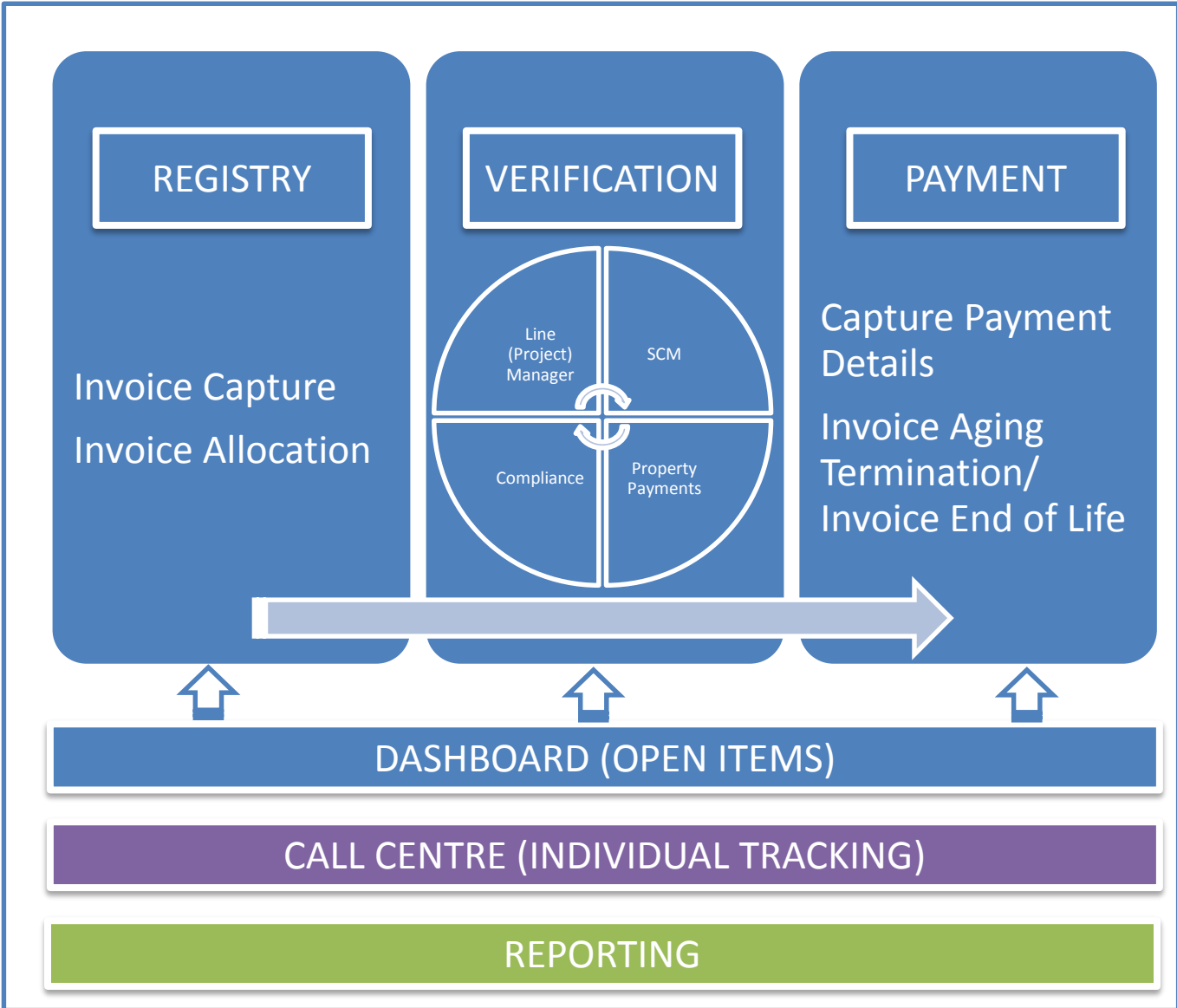
Reapatala

| REGISTRY NO | SUPPLIER NAME | INVOICE NO | INVOICE AMOUNT | CAPTURED BY |
|-------------|--|------------|----------------|---------------|
| HO1609-1937 | SACOMP | 300021361 | 2224.52 | Shabir Ismail |
| HO1607-2811 | UNIKHELLA CONSULTING ENGINEERS (PTY) LTD | 1322 | 209993.51 | Shabir Ismail |
| HO16056720 | PROFITUM | 201610 | 30307.2 | Shabir Ismail |

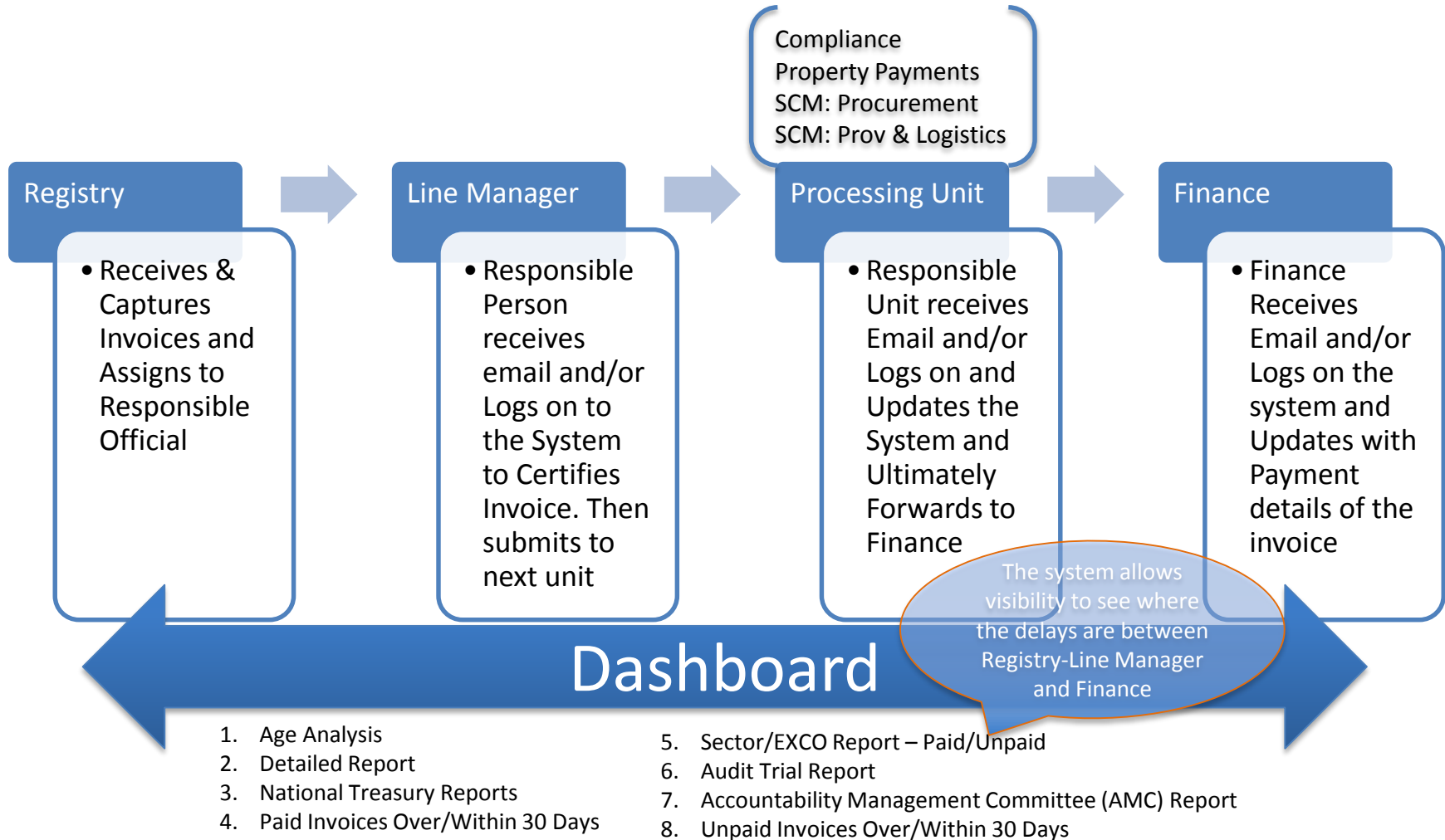
-Access Controlled
-Profile Driven
With Jurisdiction Separation (PTA,PLK)



Online Invoice Tracking - REAPATALA



Online Invoice Tracking - REAPATALA



PMTE ICT ENVIRONMENT: Future

PMTE TRANSACTION MODEL



BACK OFFICE (BO)

TRANSACTIONAL SYSTEMS (TS)



SAS/BI Reporting



GRAP Reports

SAGE

GENERAL LEDGER

E-PROCURE – SCM
(Intenda)

Middleware (ESB)

CRM

PORTFOLIO
MANAGEMENT

ASSET MANAGEMENT

LEASE MANAGEMENT

PROJECT MANAGENT

FACILITIES MANAGEMENT

LEASE PORTAL

REAPATALA INVOICE
TRACKING SYSTEM

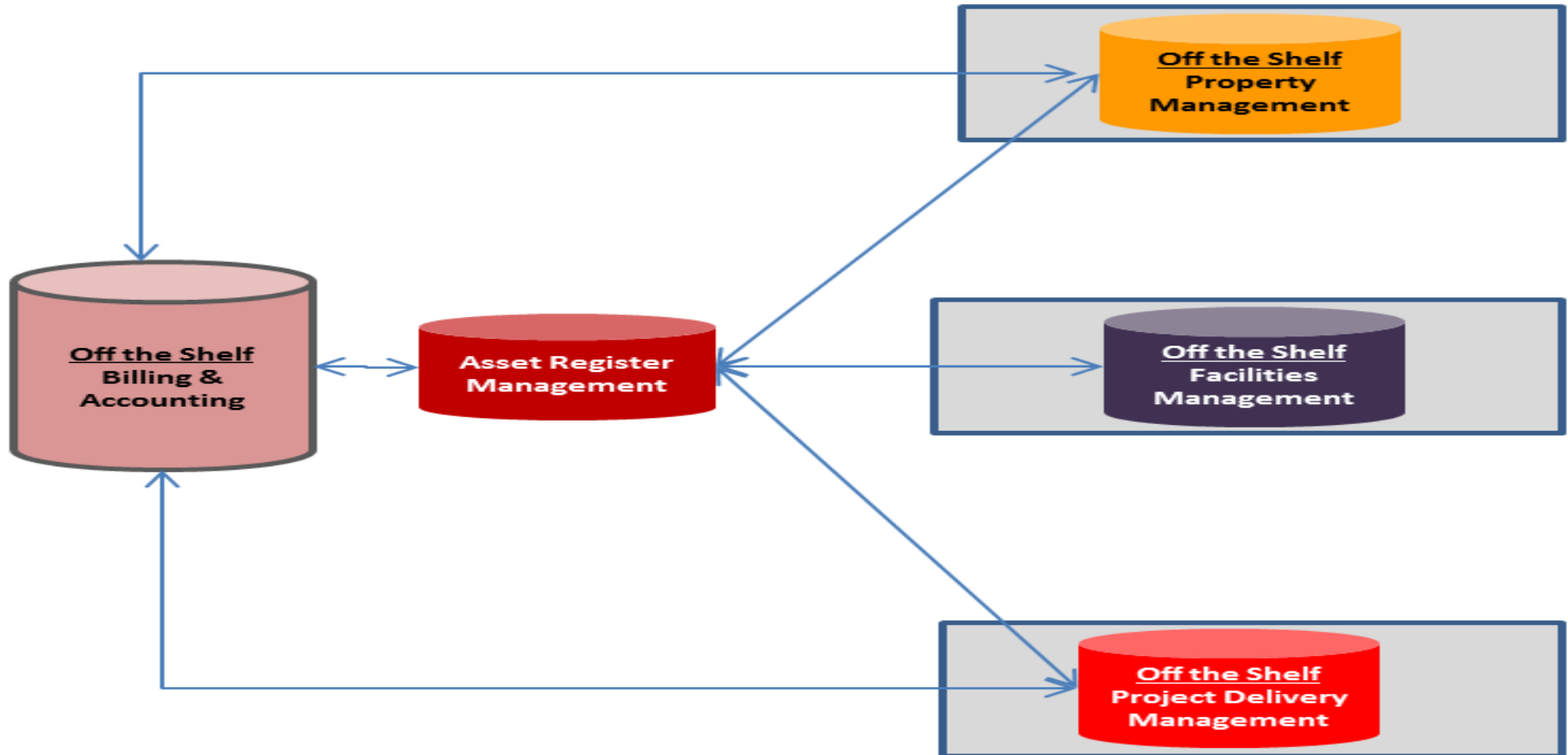
SCM PROCUREMENT
TRACKING

ESRI - GIS



PMTE ERP Strategy

Core Business Processes: asset register management , property management , facilities management and project delivery management



IFMS, MIOS and GWEA Technology Alignment (H/w, S/w, integration, etc)

PMTE ICT ENVIRONMENT

- **PMTE is uses Generally Accepted Accounting Principles (GRAP). Through NT approval SAGE/ARCHIBUS was procured for PMTE as GRAP compliant systems**
- **ARCHIBUS** is a management system for:
 - Real estate management solutions,
 - Infrastructure management solutions &
 - Facilities management solutions.
- **SAGE** is a financial management system for
 - Accounts receivable
 - Budgeting
 - Accounts payable
 - Procurement module which includes purchasing, purchase orders, invoice tracking amongst others
- ARCHIBUS interfaces the payment files to SAGE for seamless integration

COMPLETE SAGE SOLUTION

Finance

- Financial accounting
- Receivables and creditor accounting
- Payment transactions (or payment management)
- Cost accounting
- Investment accounting
- Controlling
- Consolidation

Purchasing

- Material requirements
- Budget monitoring
- Supplier enquiries
- Purchase orders
- Outsourcing
- Multistage signature control
- Contracts

Human Resources

- Payroll
- Employee management
- Time and activities
- Training
- Talent Management

Sales

- Open pricing
- Offers and contracts
- Order entry
- Product configuration
- Inventory commitments
- Delivery planning and shipping
- Invoicing
- Returns
- Sales commissions



Warehouse Management

- Dynamical management of locations
- Planning and execution of reception
- Workload analysis and resources planning
- Preparation Orders optimization
- Post-preparation tracking operations
- RF Invoice communication

Inventory

- Multistage warehousing and site management
- Movements and transactions
- RF data acquisition
- Quality control
- Cost calculation
- Acquisition price tracing
- Inventory control
- Procurement

Production

- Discrete/process manufacturing
- Parts lists/composition/formula management
- Work schedule management
- MPS/MRP
- Technical data configuration
- Link to weighing scales
- Cost calculation
- Quality assurance
- Capacity planning

CRM

- Contact management
- Sales force automation
- Customer support
- Call centers
- Guarantee management
- Service orders
- Knowledge base
- Marketing campaigns

PMTE Procurement (30 day payments)

SAGE has been in production since 2015 however with only the Finance module being active Procurement module which includes purchasing, purchase orders, invoice tracking amongst others has not yet been implemented.

- Current SAGE procurement module has basic functionalities
- The system needs to be customized to catered for government prescribed procurement processes
- PMTE special requirements need to be catered for such as:
 - Goods and services
 - Leasing of properties
 - Procurement of infrastructure related goods and services

NT guidelines on these were only released 1 April 2017

Once implemented, the following processes in relation to the 30 day payments will be automated:

- Purchase requisition
- Purchase order
- Goods received note
- Credit and debit notes
- Invoice received
- Payment processed
- Recoveries

High-level ERP Implementation

Modules to GO – LIVE: OCTOBER / NOVEMBER 2017 (Pilot Regions – Pta; Jhb & Nel)

- **Reactive maintenance**
- **Call centre**
- **Movable asset register**
- **Immovable asset register**

Modules to GO – LIVE: 2018, 2019

- **Purchase model**
- **Lease management**
- **Preventative maintenance**
- **Project management**

ERP rollout milestones deliverables 2017/18 financial year

| Module | Project activity | Timelines | Comment |
|--------------------------------------|---|-------------------------------|---|
| Immovable Asset Register | User training | November 2017 | The Immovable Asset Register has been migrated to ARCHIBUS since 2016 |
| Reactive maintenance and call center | User acceptance test (complete) User training Pilot | November 2017 to January 2018 | 3 months pilot |
| Movable Asset Register | User acceptance test (complete) User training Pilot | November 2017 to January 2018 | 3 months pilot |

ERP rollout milestones deliverables 2017/18 financial year

| Module | Project activity | Timelines | Comment |
|---------------------------------|--|--------------------------------|--|
| Construction Project management | User requirements spec System configuration Testing User training | February 2018 to December 2018 | The Immovable Asset Register has been migrated to ARCHIBUS since 2016 |
| Preventative maintenance | User requirements spec System configuration Testing User training | November 2017 to December 2018 | Current pilot is using telemetry devices to collect data |
| Lease Management | System pilot | February 2018 to April 2019 | System configuration is complete, however delays have been experienced due to supplier contract expiring |

PMTE – 30 Day Payments Data Analytics

PMTE 30 DAY PAYMENTS – 30 SEPTEMBER 2017

PMTE - Snapshot of invoices received year to 30 September 2017

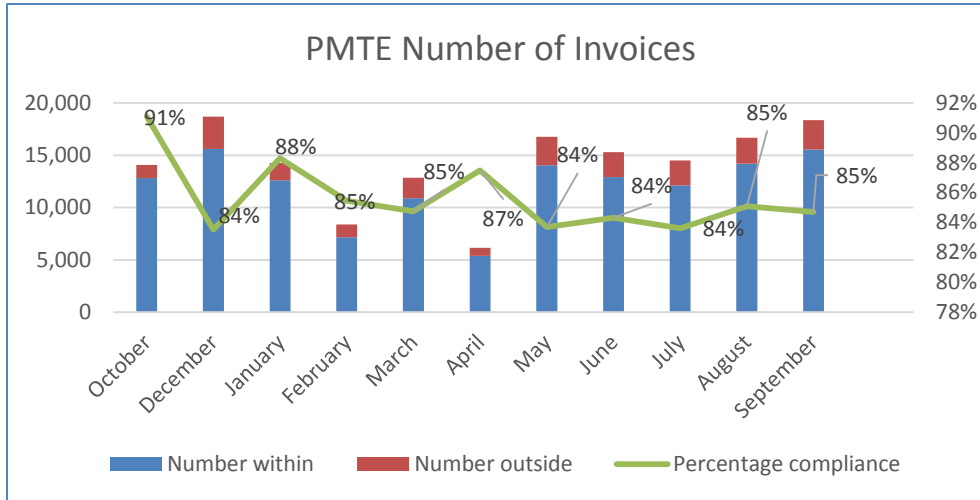
| | Number | % no | R'000s | % value |
|------------------------|---------|------|-----------|---------|
| Paid within 30 days | 74 152 | 72% | 4 748 758 | 76% |
| Paid outside 30 days | 13 571 | 13% | 531 937 | 9% |
| Unpaid | 15 282 | 15% | 901 357 | 15% |
| Total Invoices | 103 005 | 100% | 6 182 052 | 100% |
| | | | | |
| | Number | % no | R'000s | % value |
| Unpaid (Current) | 6 716 | 44% | 506 937 | 56% |
| Unpaid (Non - Current) | 8 566 | 56% | 394 420 | 44% |
| Total | 15 282 | 100% | 901 357 | 100% |

PMTE 30 Day payments - R'000

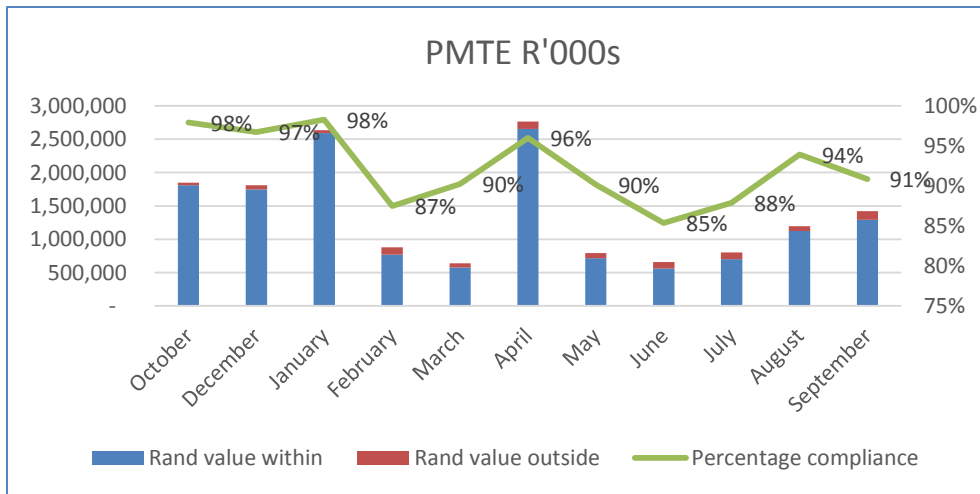
| Analysis of total invoices received paid/unpaid within and over 30 days 2017/18 | | | | | | | | | | |
|---|---------------------------|------------------|----------------------------|----------------|----------------|------------------|-----------------------|-------------|-----------------|------------------|
| MONTHS | PAID WITHIN 30 DAYS R'000 | | PAID OUTSIDE 30 DAYS R'000 | | TOTAL PAYMENTS | | % PAID WITHIN 30 DAYS | | UNPAID INVOICES | |
| | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 |
| APRIL 2017 | 5 376 | 352 013 | 769 | 57 999 | 6 145 | 410 012 | 87% | 86% | 20 499 | 1 198 302 |
| MAY 2017 | 14 026 | 716 195 | 2 734 | 77 998 | 16 760 | 794 193 | 84% | 90% | 16 085 | 812 934 |
| JUNE 2017 | 12 905 | 562 824 | 2 402 | 96 581 | 15 307 | 659 405 | 84% | 85% | 16 361 | 1 267 778 |
| JULY 2017 | 12 120 | 702 989 | 2 375 | 96 823 | 14 495 | 799 812 | 84% | 88% | 15 995 | 1 308 279 |
| AUGUST 2017 | 14 191 | 1 124 773 | 2 487 | 72 791 | 16 678 | 1 197 564 | 85% | 94% | 17 626 | 1 106 190 |
| SEPTEMBER 2017 | 15 534 | 1 289 964 | 2 804 | 129 745 | 18 338 | 1 419 709 | 85% | 91% | 15 282 | 901 358 |
| TOTAL | 74 152 | 4 748 758 | 13 571 | 531 937 | 87 723 | 5 280 695 | 85% | 89% | 101 848 | 5 396 539 |

Figures as reported to NT. Extensive project undertaken to ensure that all invoices are correctly disclosed on the system as unpaid. Further system enhancements will be implemented on the invoice tracking system to automate updating of payments as they are made.

PMTE - PAID INVOICE ANALYSIS



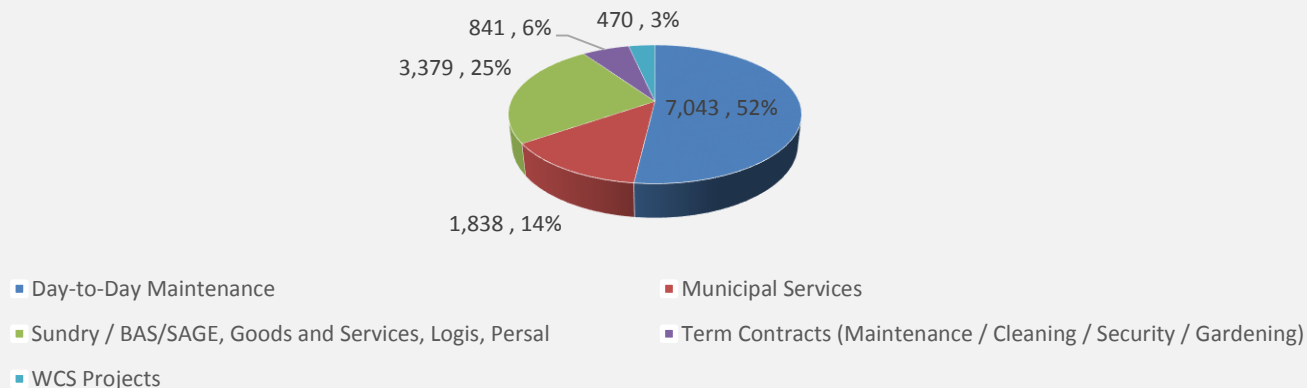
- In the period April to September 2017, the number of payments within the 30 days of qualifying invoice being received was 85% (87 723 invoices – R5.3 billion), out of total invoices received of 103 005 (R6.1 billion).
- Fluctuations in the number of invoices paid from 84% (Apr) to 91% (Sep), is due to the higher number of invoices older than thirty (30) days being settled.
- In general value of invoices paid is consistent at 94% but went down to 91% in September due for more than 30 days, hence the high number of invoices settled over 30 days.
- The payment levels remain low due to the fact that each month all the backlog invoices older than 30 days are being settled. Once the backlogs are finalised, the stats should improve.



PMTE - STATISTICS

| Total Number of Invoices Paid Outside 30 Days – Cumulative 2017/18 FY | | | |
|--|----------------------|------------|----------------|
| Expense Type | # of invoices | % | R'000 |
| Day-to-Day Maintenance | 7 043 | 52 | 102 927 |
| Municipal Services | 1 838 | 14 | 235 395 |
| Sundry / BAS, Persal, Goods and Services and Logis | 3 379 | 25 | 11 497 |
| Term Contracts (Maintenance / Cleaning / Security / Gardening) | 841 | 6 | 28 400 |
| WCS Projects | 470 | 3 | 153 718 |
| Grand Total | 13 571 | 100 | 531 937 |

Total Number of Invoices Paid Outside 30 Days – September 2017

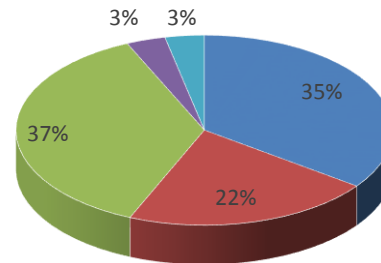


CONTEXT - STATISTICS

Total Number of Unpaid Invoices - 30 September 2017

| Expense Type | # of invoices | % | R'000 |
|--|---------------|------------|----------------|
| Day-to-Day Maintenance | 5 352 | 35 | 188 855 |
| Municipal Services | 3 275 | 22 | 376 966 |
| Sundry / BAS, Persal, Goods and Services and Logis | 5 628 | 37 | 56 337 |
| Term Contracts (Maintenance / Cleaning / Security / Gardening) | 513 | 3 | 33 249 |
| WCS Projects | 514 | 3 | 245 950 |
| Grand Total | 15 282 | 100 | 901 358 |

Total Number of Unpaid Invoices - September 2017



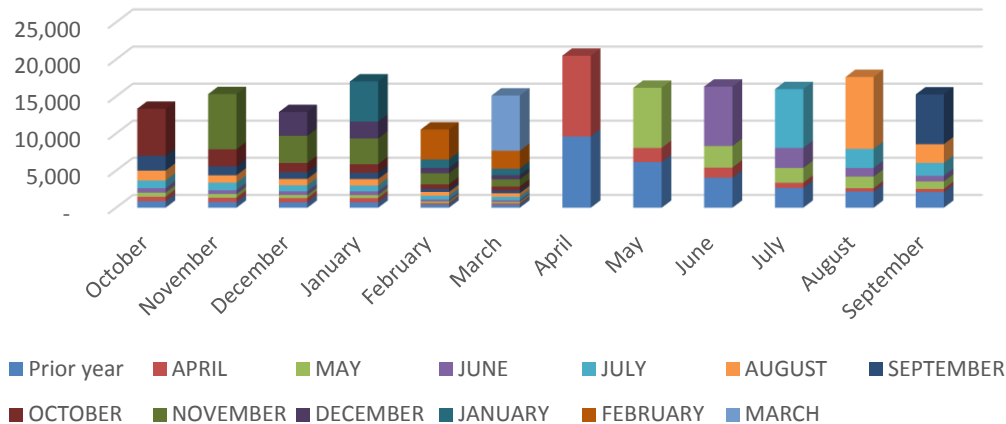
- Day-to-Day Maintenance
- Sundry / BAS, Persal, Goods and Services and Logis
- WCS Projects
- Municipal Services
- Term Contracts (Maintenance / Cleaning / Security / Gardening)

PMTE Age Analysis of unpaid invoices – September 2017

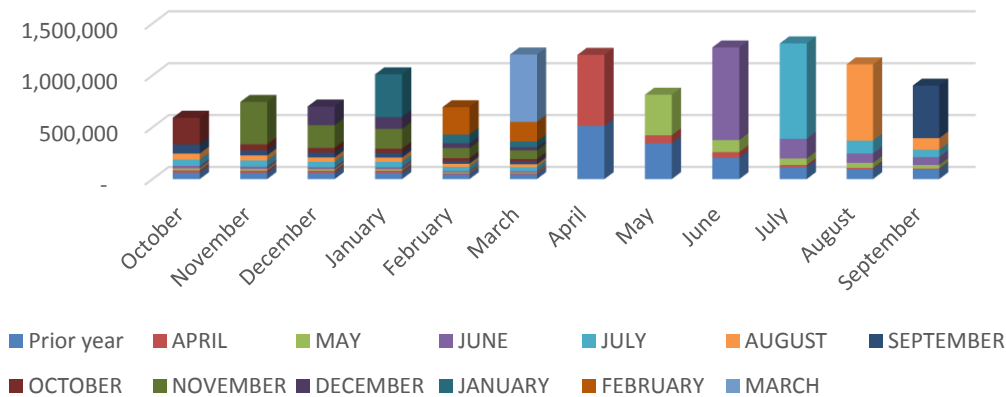
| Analysis of total invoices received unpaid within or over 30 days 2017/18 | | | | | | | | | | | | |
|---|-----------------|------------------|-----------------|----------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|----------------|
| MONTHS | April | | May | | June | | July | | August | | September | |
| | UNPAID INVOICES | | UNPAID INVOICES | | UNPAID INVOICES | | UNPAID INVOICES | | UNPAID INVOICES | | UNPAID INVOICES | |
| | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 | Number | Value R'000 |
| Prior year | 9 599 | 514 232 | 6 160 | 345 128 | 4 050 | 207 441 | 2 672 | 114 387 | 2 186 | 95 672 | 2 113 | 93 434 |
| APRIL | 10 900 | 684 070 | 1 898 | 77 492 | 1 369 | 52 901 | 698 | 21 926 | 449 | 11 768 | 426 | 8 605 |
| MAY | | | 8 114 | 391 042 | 2 895 | 116 455 | 1 995 | 62 688 | 1 551 | 49 454 | 1 000 | 33 979 |
| JUNE | | | | | 8 012 | 892 282 | 2 703 | 190 377 | 1 173 | 90 175 | 770 | 76 463 |
| JULY | | | | | | | 7 928 | 918 907 | 2 565 | 124 597 | 1 739 | 70 376 |
| AUG | | | | | | | | | 9 702 | 734 524 | 2 518 | 111 563 |
| SEPT | | | | | | | | | | | 6 716 | 506 937 |
| OCT | | | | | | | | | | | | |
| NOV | | | | | | | | | | | | |
| DEC | | | | | | | | | | | | |
| JAN | | | | | | | | | | | | |
| FEB | | | | | | | | | | | | |
| MARCH | | | | | | | | | | | | |
| TOTAL | 20 499 | 1 198 302 | 16 172 | 813 662 | 16 326 | 1 269 079 | 15 996 | 1 308 285 | 17 626 | 1 106 190 | 15 282 | 901 357 |

PMTE Unpaid aged invoice analysis

PMTE Number of Invoices



PMTE R'000s



- 6 716 (44%) invoices remain unpaid for less than 30 days which translates to R 507m (56%) in value.
- PMTE has embarked on a project to update Rea Patala with payment made in order to report accurate figures, hence the large drop in unpaid invoices reported in January without the resultant increase in the number of invoices paid.
- The remaining number of unpaid invoices both in terms of invoices (56%) and value (44%) respectively remained unpaid older than 30 days, as a result of high number of transaction within day-to-day within two major centres: Namely Cape Town, and Pretoria.
- The unpaid invoices trend is showing significant decline over the financial year and the commitment is to ensure ongoing reductions in these values.

CHALLENGES

Complexity of SCM Processes

- Extensive supporting documents required
 - Compliance (OHS)
 - Legislative (Treasury)
 - Technical (Job cards, concrete test cube reports, GeoTech)
- Contracting methodologies complex (e.g. JBCC, CIDB requirements, professional affiliations, etc.)
- Technical validations required prior to invoice certification
- Scope changes while on site by either the client or “unilaterally” by service provider (resulting in potential disputes)

CHALLENGES EXPERIENCED WITH REPORTING AND PAYMENT OF SUPPLIERS

- Manual excel system used to capture invoices received in the Department, as a result, the following challenges manifested:
 - No validation rules relating to data integrity;
 - Inability to identify responsible official causing the delay in payment
 - Excel spreadsheet can only be updated by one person at a time
 - Tracking of payments limited to information provided to registry
 - Invoices not directly sent to registry by service providers (project managers holding onto invoices provided to them directly by service providers and only submitted to registry late for payment)
 - Delays in the payment of invoices could not be adequately analysed as to the point of origin - Registry/ Certification or payment
 - Consolidation of regional inputs complex and time consuming

HISTORICAL CHALLENGES AND RESPONSES

| CHALLENGE | DEPARTMENTAL RESPONSE |
|---|--|
| Many gates of entry for invoices | Central registry was introduced and suppliers were informed of the central point of entry |
| No invoice tracking system | Call centre operation enhanced. Automated invoice system is in place and populated once an invoice is received at registry and tracked until payment stage. |
| Culture of non compliance by officials | Ministerial road shows to address staff on the matter on paying invoices on time. |
| Integrity of information being tracked | Standardisation of reporting introduced throughout the Department. |
| Submission of non compliant invoices by suppliers | Ministerial National Roadshows included workshops with suppliers. Supplier helpdesk set up at each regional office. |
| Long outstanding open orders | Pro- active review of purchase orders issued but not yet invoiced. |

DEPARTMENTAL INTERVENTIONS

REAPATALA - SYSTEM BENEFITS

- Management reporting
 - Management reports easily accessible
 - Reports are real-time, no manual consolidation required
 - Escalation protocols built into the system as the invoices ages prior to the invoice reaching 30 days.
 - Number of different reports
 - Aging of invoices per: Region, responsible person, expense type (day-to-day, projects, G&S)
 - Rejected/returned invoices and reasons thereof
 - Unpaid invoices (within and outside of 30 days)
 - NT monthly reporting
 - Summary reports per region (Unpaid or paid and whether within or outside 30 days)
 - Re ya patala call-centre comments captured (Enquiries by service providers handled centrally via the call centre)
- Enhanced invoice capturing capabilities
- Entrenching the responsibility for payment of suppliers across the department
- Tracking at each level ensure for effective payment process management
- Tracking allows for effective consequence management
- Identification of problem areas, capacity and other challenges based on reliable data
- Will ultimately lead to improved payment of suppliers within 30 days

Other Interventions

- Ministerial road-shows to address staff as well as service providers within the regions undertaken
- The payment of service providers is a standing agenda item at the Accountability EXCO and MinTop.
- Also, the CFO Forum deliberates on the status of payment levels as a sector in all Forum meetings.
- Accruals project and verification of valid invoices for Day-to-day expenses ongoing
- Payment levels as well as unpaid invoices are submitted to National Treasury on a monthly basis and regularly to DPME
- Furthermore, ongoing engagements are held with the National Treasury and DPME.
- Round table discussions have been held with these Departments with extended invitations to: DTI, Small Business, and DPSA.

RECOMMENDATIONS

- It is recommended that the Portfolio Committee to note:
 - The complex operating environment of the PMTE and its magnitude
 - The current ICT environment and its impediments to achieve prompt payments to suppliers
 - The PMTE ICT roadmap to improve 30 day payments
 - Report on the status of the payment of service providers within 30 days by the Department of Public Works

Thank You



Department of Public Works (National)

Head Office: Public Works

CGO Building

Cnr Bosman and Madiba

Pretoria Central

Private Bag

X65

Pretoria

0001

Website: <http://www.publicworks.gov.za>

