



**Western Cape  
Government**

Transport and Public Works

**BETTER TOGETHER.**

# **BRIEFING OF PUBLIC ACCOUNTS COMMITTEE**

Issues raised in PAC Annual Report Resolutions

Provincial Parliament

20 June 2018

# Presentation outline

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*Requested to brief the Committee on the following:*

- Risks that were raised regarding the competitive tendering process at the CIDB Grade 9, that were jeopardised; including the supporting mechanism to CIDB Grades 1 and 2 service providers;
- Value that was derived from the risk which highlights the limited capability of students from disadvantaged communities to be admitted and pass mathematics and related subjects at higher education institutions; and
- The current and older departmental debts that were incurred during the 2016/17 financial year, including the mechanism that is in place in the Department to minimise, if unable to mitigate, such an occurrence.

Risks that were raised regarding the competitive tendering process at the CIDB Grade 9, that were jeopardised; including the supporting mechanism to CIDB Grades 1 and 2 service providers



# Risk regarding Grade 9 Contractors

## *Risk Description*

- Allegations of Collusive bidding practices by highest grade CIDB contractors jeopardising the competitive tendering process in respect of large projects planned for procurement by Department.

## *Impact*

- Depletes pool of potential contractors;
- Necessitates the deliberate splitting of contracts or induces extended construction periods for longer than intended time frames to target lower graded contractors;
- Fraud and corruption.



# Risk regarding Grade 9 Contractors

## Control Procedures

- The matter was taken up in the Departmental Strategic Risk Register as it impacts potentially all infrastructure components.
- The Department undertook its own investigation into contracts procured during that period.
- The following investigations were conducted:
  - Competition Commission conducted investigations and penalties were imposed
  - CIDB conducted its own investigations/commission of enquiry (If contractor is found to be in contravention of the law or has acted fraudulently, sanctions can be imposed against the contractor. These may include:
    - Blacklisting
    - Restriction penalty on the contractor in terms of Section 13 of the Preferential Procurement Regulations)
- Only Ministers were privy to an interim report/findings (political)

# Risk regarding Grade 9 Contractors

## *Control Procedures Conducted by DTPW*

- CIPC (Companies and Intellectual Property Commission) checks for ownership and company profile verification
- Conduct compliance checks to ensure:
  - Registration on the Register of Contractors (as per CIDB regulations) is the appropriate grading and for the appropriate class of work
  - Non-utilisation in terms of poor performance on the Register of Projects (i-tender) as well as on the company disclosure of references and current past projects undertaken
- Due diligence and risk assessments to ensure:
  - Plant and equipment
  - Ability and capability to do the job
  - Bank ratings
  - References of previous projects
  - Declarations WCBD 4 forms (Past performance)
  - Independent Bid determination
  - Listing on National Treasury Database
  - BBBEE accreditation with DTI

# Risk regarding Grade 9 Contractors

## *Control Procedures Conducted by DTPW*

- National Treasury Database:
  - List of tender defaulters for companies implicated in corruption activities
  - List of restricted suppliers for non-, mal- and poor-performance.
- SARS checks to ensure compliance with tax and good standing with SARS.

Letter written to CIDB during August 2017, requesting feedback on their investigation as well as any action items for DTPW, alternatively DTPW will proceed and close-out the matter as a risk for the Department.

# Supporting Mechanism to CIDB Grade 1s and 2s

- 42 Framework contracts in place for financial year
- Grade 1s and 2s participates in 33 of these framework contracts (78.5%)
- Main Framework contract for Grade 1s and 2s:
  - **S031/16 – Multi-discipline Day to Day Maintenance – 17 Grade 1s and 24 Grade 2s**
- Contractor training – Framework Core Management Group Meetings
- Contractor Development Programme with EPWP at Construction Information Session (CIS)
- Facilitation of registering suppliers on the WCSD and CSD at Construction Information Session (CIS), as well as Supplier Development sessions (in collaboration with the Department of Economic Development and Tourism as well as various municipalities)



# Frameworks for DTPW

NO	TENDER	SERVICE	NO OF GR1	NO OF GR2
1	S101/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: CAPE METROPOLE	0	1
2	S102/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: CAPE WINELANDS	0	1
3	S103/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: CENTRAL KAROO	0	1
4	S104/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: OVERBERG	0	1
5	S105/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: EDEN	0	1
6	S106/14	FRAMEWORK CONTRACT FOR EMERGENCY REPAIRS AT EDUCATIONAL FACILITIES: WEST COAST	0	1
7	S003/15	CENTRAL KAROO: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	0	3
8	S004/15	EDEN: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	0	3
9	S005/15	OVERBERG: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	0	3
10	S006/15	CAPE WINELANDS: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	0	3
11	S007/15	WEST COAST: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	0	3
12	S008/15	CAPE METROPOLE: 3 YEAR MAINTENANCE: FRAMEWORK PLUMBING	1	0
13	S009/15	WEST COAST: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
14	S010/15	CAPE WINELANDS: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
15	S011/15	OVERBERG: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
16	S012/15	EDEN: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
17	S013/15	CENTRAL KAROO: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
18	S014/15	CAPE METROPOLE: 3 YEAR MAINTENANCE: FRAMEWORK GENERAL BUILDING REPAIRS	0	1
19	S015/15	CENTRAL KAROO: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5
20	S016/15	EDEN: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5
21	S017/15	OVERBERG: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5

# Frameworks for DTPW

NO	TENDER	SERVICE	NO OF GR1	NO OF GR2
22	S018/15	CAPE WINELANDS: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5
23	S019/15	WEST COAST: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5
24	S020/15	CAPE METROPOLE: 3 YEAR MAINTENANCE: FRAMEWORK EMERGENCY ELECTRICAL REPAIRS	0	5
25	S021/15	WEST COAST: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
26	S022/15	CAPE WINELANDS: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
27	S023/15	OVERBERG: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
28	S024/15	EDEN: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
29	S025/15	CENTRAL KAROO: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
30	S026/15	CAPE METROPOLE: 3 YEAR MAINTENANCE FRAMEWORK FENCING	0	2
31	S180/15	CAPE TOWN CBD AND SURROUNDINGS: GENERAL INFRASTRUCTURE DAY TO DAY MAINTENANCE 2015-2018	0	5
32	S201/15	WESTERN CAPE: VARIOUS REGIONS: ELECTRICAL DAY-TO-DAY MAINTENANCE FRAMEWORK AGREEMENT 2016-2018	0	1
33	S206/15	HEALTH INFRASTRUCTURE: LIFT MAINTENANCE AND MODERNISATION FRAMEWORK AGREEMENT: 2016-2019	0	0
34	S222/15	FRAMEWORK AGREEMENT FOR MAINTENANCE OF HEALTH FACILITIES FOR 3 YEARS: WEST COAST AND WINELANDS	0	0
35	S223/15	FRAMEWORK AGREEMENT FOR MAINTENANCE OF HEALTH FACILITIES FOR 3 YEARS: CAPE METROPOLE AND OVERBERG	0	0
36	S001/16	FRAMEWORK AGREEMENT FOR MAINTENANCE OF HEALTH FACILITIES FOR 3 YEARS: EDEN AND CENTRAL KAROO	0	0
37	S002/16	CAPE TOWN: CBD: ELECTRICAL DAY TO DAY MAINTENANCE FOR A PERIOD OF 24 MONTHS	0	0
<b>38</b>	<b>S031/16</b>	<b>WESTERN CAPE: MULTIDISCIPLINE DAY-TO-DAY MAINTENANCE</b>	<b>17</b>	<b>24</b>
39	S068/16	WESTERN CAPE: REHABILITATION AND RENOVATIONS AND REFURBISHMENTS 2016-2019	0	0
40	S093/16	WESTERN CAPE: MULTI REGIONAL SERVICE CONTRACT: SERVICING AND MAINTENANCE OF ROLLER SHUTTER DOORS, AUTO SLIDING DOORS, MOTORISED SLIDING GATES AND AUTO REVOLVING DOORS FOR THREE YEARS	0	0
41	S106/16	C1106.04: FRAMEWORK AGREEMENT: REPAIR OF DISTRESSED AREAS BY EXCAVATION 2017-2020	0	0
42	S107/16	C1106.05: FRAMEWORK AGREEMENT: REPAIR OF DISTRESSED AREAS BY IN-SITU 2017-2020	0	0

# CIDB Grade Ranges

## Table D

Largest contract executed in the last five years

Works capability		
Designation	Maximum value of contract that a contractor is considered capable of performing	Largest contract completed, during the 5 years immediately preceding the application, in the class of construction works applied for
2	R650 000	R130 000
3	R2 000 000	R450 000
4	R4 000 000	R900 000
5	R6 500 000	R1 500 000
6	R13 000 000	R3 000 000
7	R40 000 000	R9 000 000
8	R130 000 000	R30 000 000
9	No limit	R90 000 000

Value that was derived from the risk which highlights the limited capability of students from disadvantaged communities to be admitted and pass mathematics and related subjects at higher education institutions



# Content

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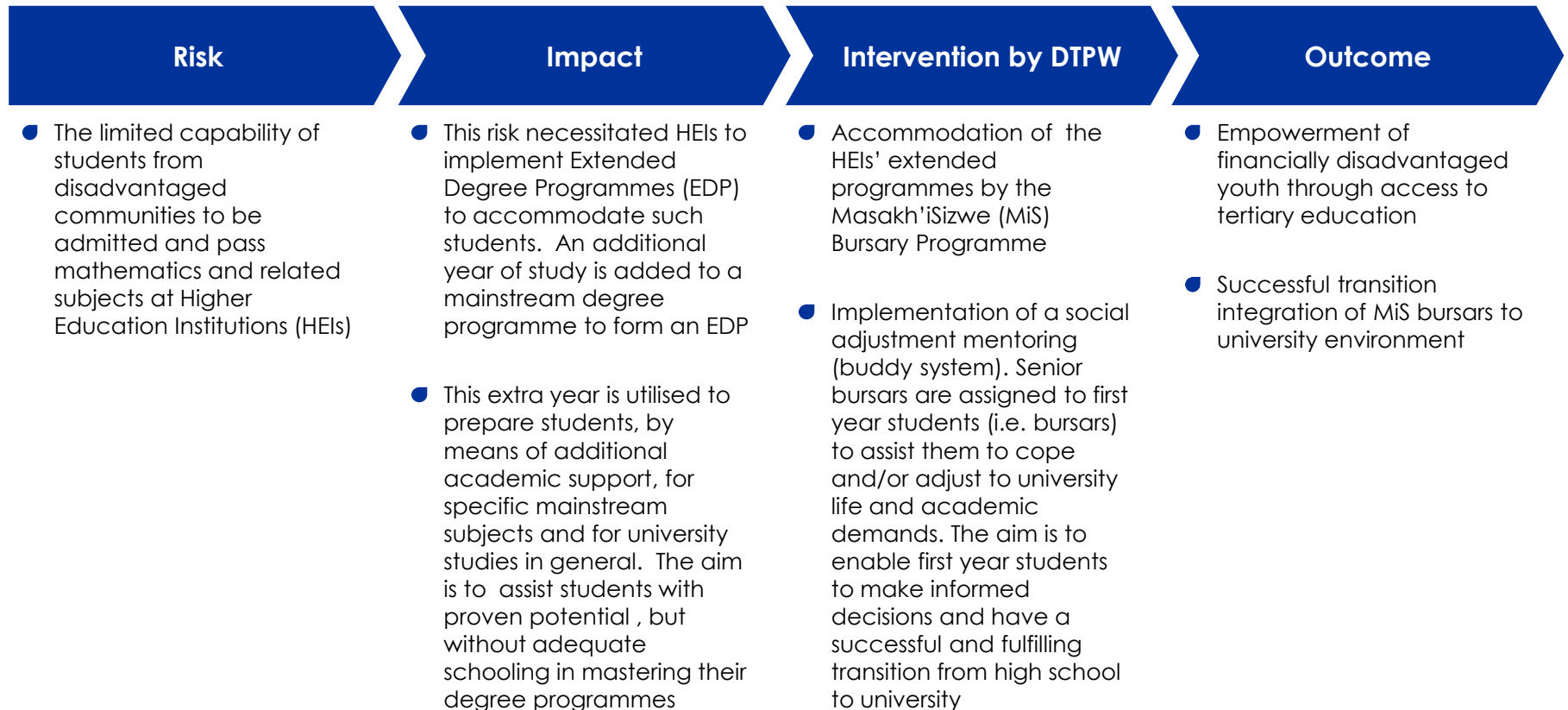
- Introduction
- Intervention(s) provided by Department of Transport and Public Works (WCG TPW) to alleviate the identified risk
- Outcome(s) derived from interventions
- Academic Support Assessment: 2017 Academic Year
- Summary Overview of the Assessment
- Conclusion

# Introduction

- The Masakh'iSizwe (MiS) bursary programme is aimed at addressing skills shortage in the transport, engineering and built environment, while empowering youth from disadvantaged communities through access to tertiary education and transforming a historically male dominated environment.
- As the programme is socially and developmentally inclined, it has noted that the capabilities of the targeted youth are compromised due to the type of education received at primary and secondary school level. For them to be admitted to and/or pass mathematics and/or related subjects at university level is a challenge. This resulted in the implementation of an academic support programme by the MiS bursary programme.
- The academic support programme has two types of interventions i.e. voluntary and involuntary. Voluntary academic support is when a bursar requests tutoring before failing and involuntary academic support is when tutors are assigned involuntarily to MiS bursars who obtain 59% and below. In both these interventions, academic performance of MiS bursars are assessed and monitored on a monthly basis.
- This presentation highlights the value derived from interventions provided through the academic support programme, which addresses the risk of MiS bursars with limited capabilities.

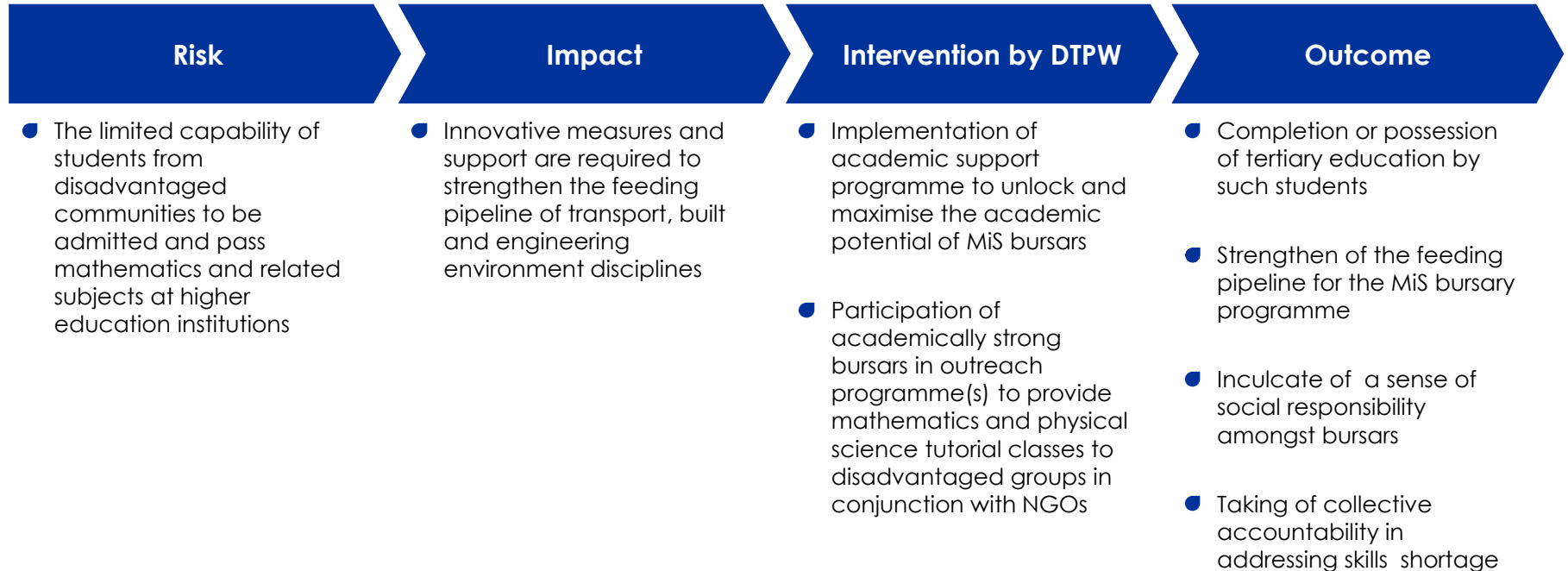
# Value Derived from the Highlighted Risk

## Academic Support Programme



# Value Derived from the Highlighted Risk

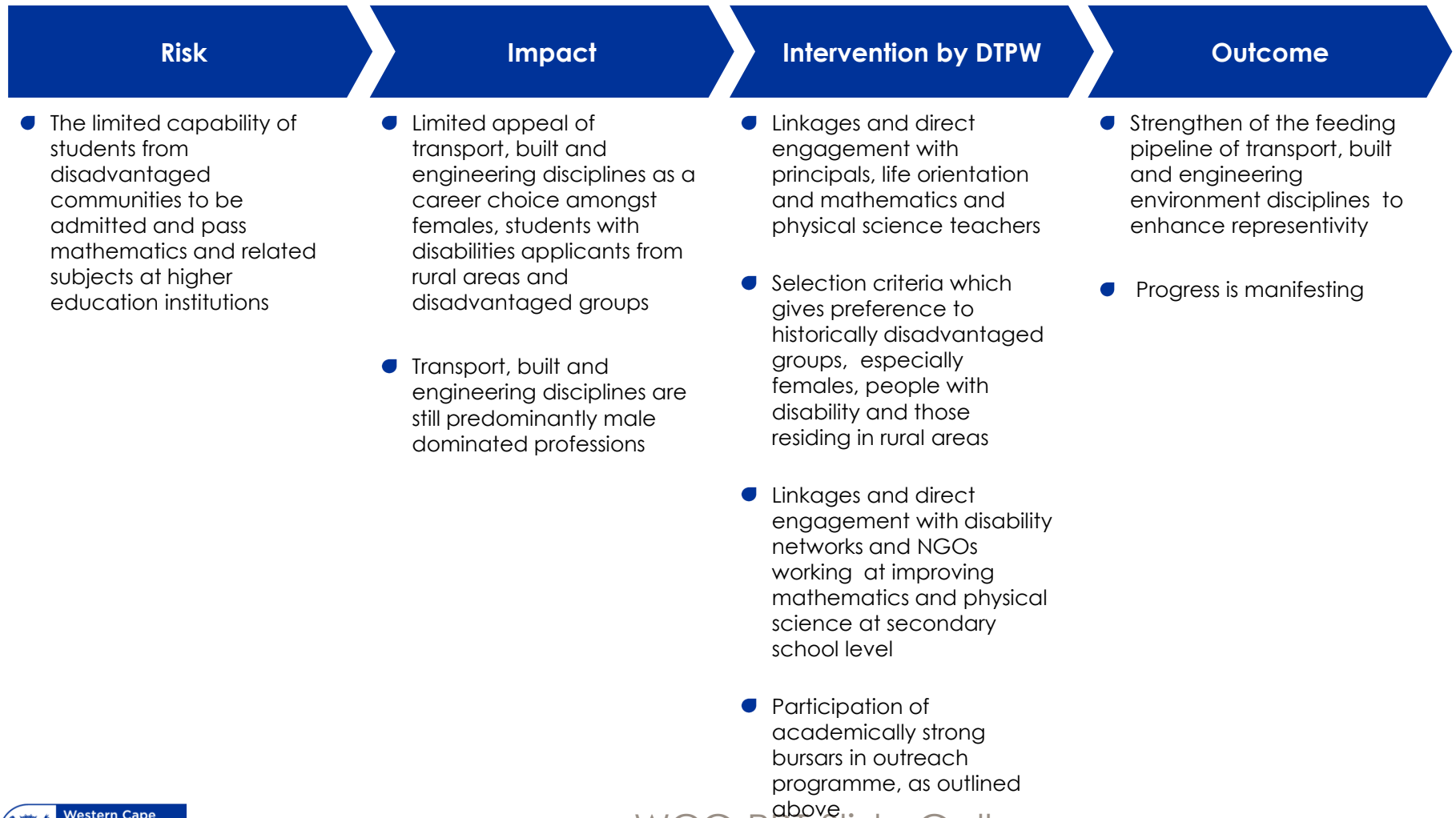
## Academic Support Programme





# Value Derived from the Highlighted Risk

## Academic Support Programme



# CPUT Academic Support Assessment: 2017 Academic Year

CAMPUS	MODULE	PARTICIPANT (S)	PREVIOUS RESULTS	CURRENT RESULTS	
CPUT	CONSTRUCTION MANAGEMENT & QUANTITY SURVEYING	1	-	50	
	DOCUMENTATION ESTIMATING(DOC302S)	2	-	89	
			-	73	
	DOCUMENTATION GENERAL CONDITIONS (DOC303S)	2	-	85	
			-	90	
	DOCUMENTATION QUANTITIES(DOC301S)	2	-	85	
			-	52	
	DOCUMENTATION SPECIFICATION (DOC300S)	1	-	87	
	ELECTRICAL DISTRIBUTION 3 EDE300s)	1	23	50	
	ELECTRICAL ENG 3 & ELECTRICAL DISTRIBUTION 3 (ELE300S&EDE300S)	1	43	50	
	ELECTRICAL MACHINES 3 (ELM300s)	1	-	75	
	ELECTRICAL PROTECTION 3 & (EPL300s)	1	34	54	
	ENVIRONMENTAL PLANNING 3 (ENP300S)	1	43	54	
	FLUID MECHANICS 2 (NDMEFX)	1	32	50	
	GEOTECHNICAL ENG. 3 (GET301S)	1	-	63	
	GEOTECHNICAL ENGINEERING (GET 302S)	1	-	78	
	HYDRAULICS (WER200S)	1	39	64	
	LEGAL PRINCIPLES 2 (LEP200S)	1	43	59	
	MECHANICAL MANUFACTURING ENG 2 (MMG210)	1	46	25	
	POWER ELECTRONICS 3 (POW300s)	1	27	53	
	QUANTITY SURVEYING 3 (QSU30GS)	1	37	50	
	REINFORCED CONCRETE AND MASONRY (CMR300S)	1	-	52	
	REINFORCED CONCRETE AND MASONRY DESIGN (CMR300S)	1	-	50	
	REINFORCED CONCRETE AND MASONRY DESIGN 3 (CMR300S)	1	-	60	
	RETICULATION DESIGN (WER301S)	1	-	47	
	STRUCTURAL ANALYSIS (STY200S)	1	-	50	
				-	50
	STRUCTURAL ANALYSIS 2 (STY200S)	4		35	63
				27	67
				23	45
				-	29
	STRUCTURAL ANALYSIS 3 (STY300S)	5		37	38
				23	37
				-	43
			31	52	
STRUCTURAL STEEL & TIMBER DESIGN 3 (STD300S)	2		-	61	
			-	66	
TRANSPORTATION ENGINEERING 3 (TRE300S)	3		47	63	
			-	67	
			-	50	
WATER ENGINEERING (HYDROLOGY) (WER300S)	1		-	52	
WATER ENGINEERING 3 (HYDROLOGY) (WER300S)	1		37	50	
WATER ENGINEERING 3 (RETICULATION) (WER301S)	1		-	59	
WATER&WASTE WATER TREATMENT (WER201S)	1		43	66	

# SU & UCT Academic Support Assessment: 2017 Academic Year

CAMPUS	MODULE	PARTICIPANT (S)	PREVIOUS RESULTS	CURRENT RESULTS
SU	APPLIED MATHEMATICS (20753-224)	1	-	55
	DESIGN E (314)	1	-	-
	ENGINEERING INFORMATICS (59560-244)	1	-	40
	ENGINEERING MATHS (38571-214)	1	21	51
	INTRODUCTORY MACHINE DESIGN	1	45	76
	STRENGTH OF MATERIALS (19712-224)	1	-	53
	STRENGTH OF MATERIALS (W244)	1	45	55
	SYSTEM AND SIGNALS (315)	1	45	55
	THEORY OF STRUCTURES 354 (19984-354)	1	-	-
UCT	EMBEDDED SYSTEMS 1 (EEE20496F)	1	-	66
	GEOMATICS (APG4011F)	1	-	55
	INTRO TO POWER ENGINEERING (EEE2044S)	2	-	37
			-	69
	PROFESSIONAL COMMUNICATION STUDIES	1	-	64
	PROFESSIONAL PRACTICES (CIV4041F)	1	-	65
	SURVEYING 1	1	-	0

# Summary Overview of the Assessment

## University of Cape Town

- A total of **6** bursars undertook academic support at UCT for a total of **7** subjects. **4** bursars passed their subjects, whilst **2** bursars are repeating one subject each during the 2018 academic year.

## Stellenbosch University

- A total of **4** bursars undertook academic support at Stellenbosch University for a total of **9** subjects. **3** bursars passed their subjects, whilst **1** bursar is repeating **1** subject during the 2018 academic year. **1** distinction was attained.

## Cape Peninsula University of Technology

- A total of **14** bursars undertook academic support at CPUT for a total of **44** subjects. **8** bursars passed all their subjects. **37** of the **44** tutored subjects were passed, whilst **6** bursars are repeating **7** subjects during the 2018 academic year. **7** distinctions were attained.

# Conclusion

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- The Masakh'iSizwe academic support programme unlocks and maximises the academic potential of bursars

The current and older departmental debts that were incurred during the 2016/17 financial year, including the mechanism that is in place in the Department to minimise, if unable to mitigate, such an occurrence



# CONTENT

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- Background
- Mechanisms to recoup rental debts
  - Task Team
- Financial Status
  - Rental debt
  - Staff debt
- Interventions from 1 April 2017

# Background

- No bad debt was written off
- Lack of policies relating to Pensioners / Indigent tenants
- Inherited debt: Properties taken over after relinquishment by users with debt
- Historical debt to the value of R89 424 million.
  - In the main it consists of the following:

<b>Debt Category</b>	<b>31-Mar-17</b>
Commercial	16 704 080.36
FET	19 019 337.14
Pensioner: Private	8 268 281.53
Pensioner: SASSA	3 283 799.57
NGO	7 656 488.17
Residential	7 981 753.09
<b>TOTAL</b>	<b>62 913 739.86</b>



# Task team

- Task team constituted to address the outstanding debts
  
- Team consists of Senior Management members
  - Directors: Management Accounting, PPU, SCM, IAM-R1, Financial Accounting
  - Chief Directors: IAM & SCM
  
- Brainstorming sessions held by the Team
  
- Interventions identified and implemented by Task Team;
  1. Categorisation of the debt into homogenous groups
  2. Clean up of information (on-going)
  3. Allocation of amounts from the Suspense account
  4. Methodology for dealing with each category e.g. Pensioners
  5. Efficient means for writing off of debt (grouped submissions)
  6. Legal Services and State Attorney engagements
  7. Policy requirements
    - Pensioners
    - Parking (to be updated)

# Financial Status – Rental Debt

Rental Debt	31-Mar-17	31-Mar-18	% change
	R 000	R 000	
Total Debt	89 424	80 180	-10.34%

- Of the total R89.4m approximately **R63m** was historic debt older than 1 year. (R4.206m recovered in 2016/17)
- Of the total R80.18m approximately **R57m** was historic debt older than 1 year. (R24.127m recovered in 2017/18)
- Of the R80.1m as at March 2018 an amount of R41m is currently at the State Attorney for possible recovery depending on the merits of each case.

# Financial Status – Staff Debt

Staff Debt	31-Mar-17	31-Mar-18	% change
	<b>R 000</b>	<b>R 000</b>	
Debt: Employees	1 657	1 895	14.36%
Bursary	1 985	1 769	10.87%
Ex-Employees	893	1 321	47.90%
<b>Total</b>	<b>4 535</b>	<b>4 985</b>	<b>9.92%</b>

- Debt:employees consists of: leave without pay, OSD salary overpayments, GG vehicle accident claims
- Of the closing balance of March 2018 (R4.985m) R1 million is in the process of being recovered over time directly from salaries/debit order.
- A further total of R3.5 million is at the State Attorney for possible recovery that consists in the main of ex-employees and bursary holders.
- The rest is dealt with by the departmental officials for follow-up and recovery in the amount of the R400 000.

# Interventions being implemented since 1 April 2017

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- SOP implemented from 1 April 2017

To address the late submission of concluded leases to the finance component resulting in the tenant starting with arrears (foster accountability)

- Recruitment

Credit Controller and Financial Controller posts have been funded.

- Legal Services and State Attorney engagements

Fortnightly meetings are being arranged with Legal Services and the State Attorney to deal with historical handed over debt (write-offs) and to fast track new hand over matters

- Addressing the Top 30 rental accounts which represents 26% of the outstanding debt

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Thank you

# Contact Us



Western Cape  
Government

Transport and Public Works

BETTER TOGETHER.

**Jacqueline Gooch**

Head of Department

**Tel:** +27 (0)21 483 2826

**Fax:** +27 (0)21 483 5068

Jacqui.Gooch@westerncape.gov.za

[www.westerncape.gov.za](http://www.westerncape.gov.za)