



public works & infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

2019/20 Annual Performance Report

Parliament of South Africa

17 November 2020

Office of the Director-General | Department of Public Works

Purpose



To Brief the Portfolio Committee on
the 2019/20 Annual Performance of
the Department of Public Works &
Infrastructure

High Level Presentation – Full details in the Actual Annual Report

Contents

Content	Slide No.
Part A – Non Financial Information	
Mandate and Performance of the Department	4 – 18
Part B – Financial Information	
DPW Financial Performance	20 - 36
PMTE Financial Performance	37 -57
Recommendation	58



Mandate of the Department

Constitutional mandate

The Constitutional mandate is provided for in Schedule 4, Part A, of the Constitution of the Republic of South Africa: Functional Areas of Concurrent National and Provincial Legislative Competence.

Legislative mandate

The legislative mandate is primarily governed by the Government Immovable Asset Management Act, 2007.

The Department regulates the construction industry and built environment through the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000) and the six Professional Council Acts that regulate the six Built Environment Professions (BEPs), and through the Council for the Built Environment Act (Act No. 43 of 2000)

Policy mandates

- DPW White Paper: Public Works, Towards the 21st Century, 1997
- DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999
- Construction Sector Transformation Charter, 2006
- Property Sector Transformation Charter, 2007
- DPW Broad-based Black Economic Empowerment Strategy, 2006
- Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007
- Green Building Framework, 2011

Vision

Convenient access to dignified public services.

Mission

The Department is committed to the attainment of a transformed built environment sector by:

- Providing strategic leadership to the South African construction and property industries
- Establishing and ensuring compliance to policy and legislative prescripts for the:
 - management of State-owned and leased-in immovable assets and
 - South African construction and property sectors
- Providing strategic direction on the integration of priorities of the DPW
- Contributing to the national goals of job creation and poverty alleviation through programmes of the DPW

Values

The Department's values align with the values espoused in the Constitution. The core values that underpin the culture of the Department are the following:

- **Innovation:** by tirelessly seeking opportunities for service delivery improvement by thinking without restraint and unconfined by old, non-functional, or limiting structures, rules, or practices.
- **Integrity:** by consistently honouring our commitments, upholding ethical, honest behaviour and transparent communication.
- **Motivation:** by ensuring our best efforts and actions toward the realisation of our organisational goals.
- **Professionalism:** by treating our clients with respect and delivering, reliably, against expectations.
- **Accountability:** by discharging our duties in a responsible manner in compliance with the relevant legislative prescripts.
- **Results-orientated:** by knowing what results are important and focusing resources to achieve them.
- **Teamwork:** by respecting our diversity, while sharing a common purpose and working in cooperation with each other.



Programme Structure And Shared Services

Main Vote



- EPWP
- Property and Construction Industry Policy
- Prestige Management



Shared Services

- Corporate Services
- Governance, Risk and Compliance
- Inter-Governmental Coordination
- Finance and Supply Chain Management
- Internal Audit
- Gender Unit

PMTE



- Real Estate and Investment Services
- Construction Project Management
- Real Estate Management
- Real Estate Information and Registry
- Facilities Management



Audited DPW Programme Performance

Performance Grid

<p>Green – Target achieved and beyond. It may be quantified as follows – anything achieved above 90% in terms of outputs/deliverables.</p>	<p>90% and above</p>	<p>Good Performance</p>
<p>Yellow - Progress above 50% but not fully achieving the target. This means that some output/deliverable has been achieved but not achieved fully as per the target. An example: achieving 6 projects out of 10 = 60%.</p>	<p>50%-89%.</p>	<p>Average Performance</p>
<p>Orange – Progress below 50% of target. This means that some activity has started but has not yielded any output. It may also reflect completed activity but that is not output. An example: compiling stakeholder management inputs towards the final Draft document etc.</p>	<p>11%-49%</p>	<p>Weak Performance</p>
<p>Red – No achievement at all – nothing was done at all and may be quantified as follows: anything between 0-10%</p>	<p>0%-10%</p>	<p>Poor Performance</p>

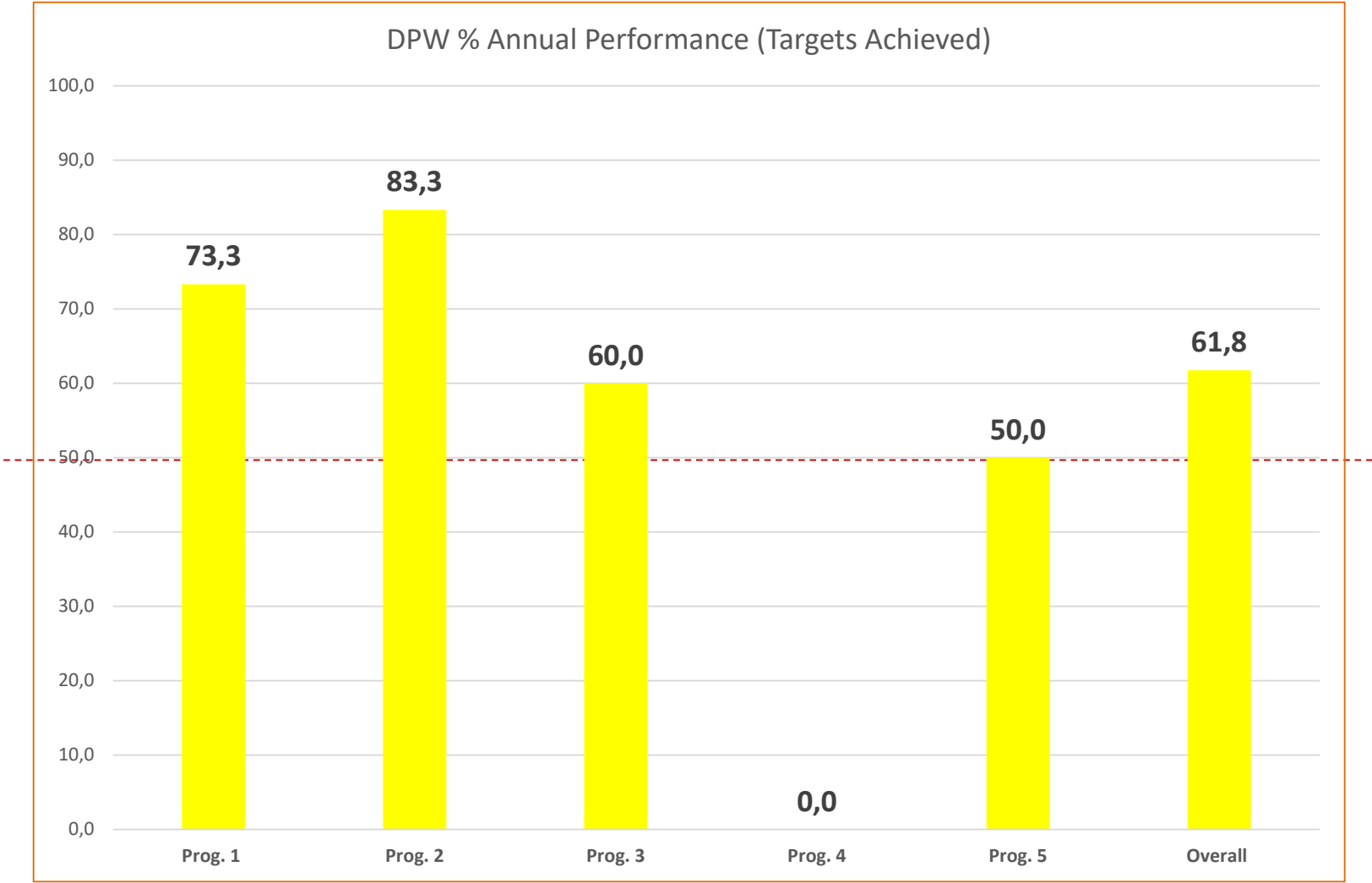


- Anti-Fraud and Corruption, Management of Capacity and Compliance
- Policy, Regulation and Empowerment
- Sector Coordination, Concurrent Mandate and Capacity Building
- Coordination of Public Employment Programmes
- Real Estate and Facilities Management
- Construction Project Management
- Contributions to the Oceans Economy through Small Harbours Development



DPWI (Main Vote)

High Level Performance



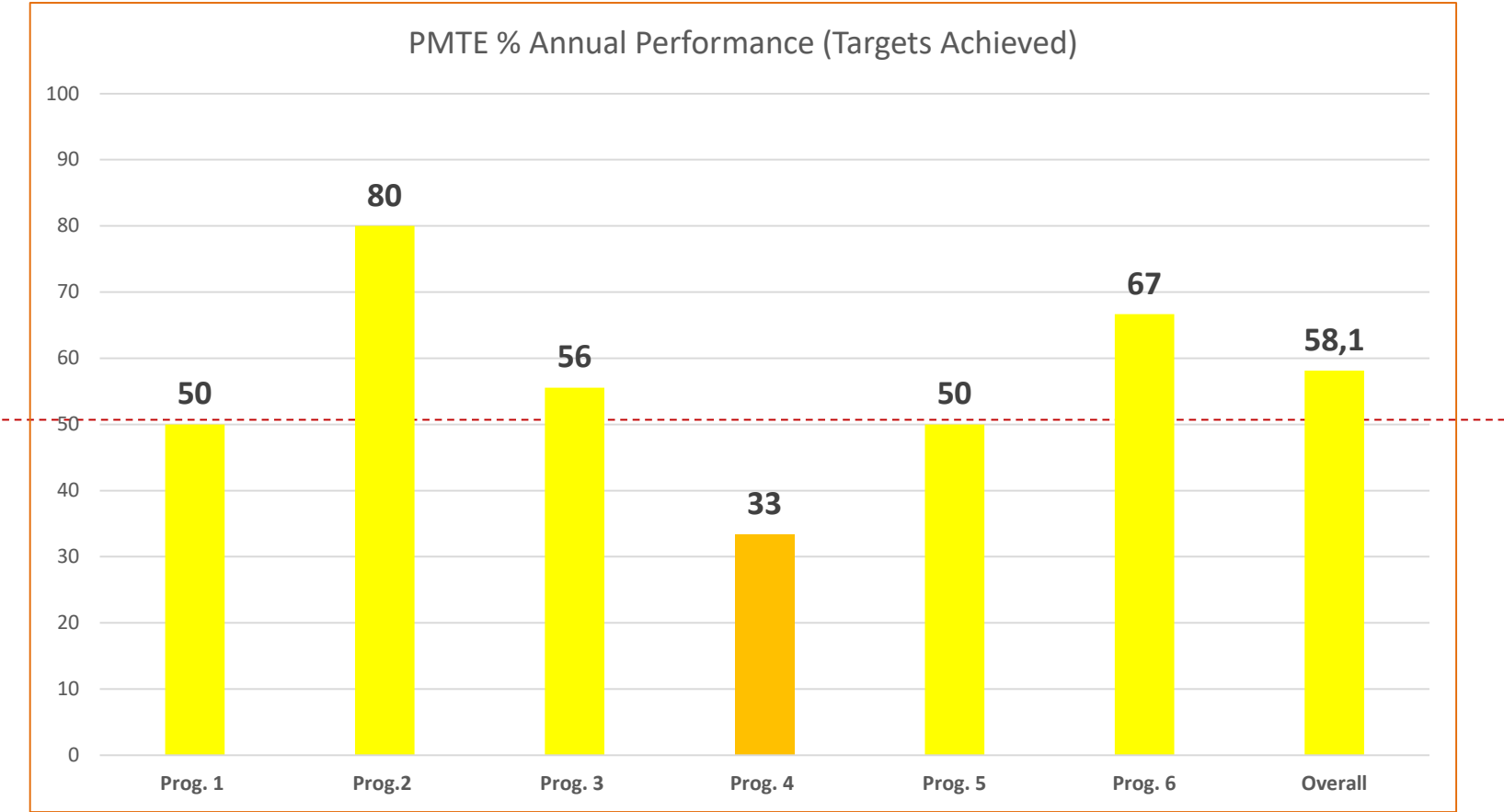
General Performance Information

Challenges – DPWI

Programme	KPIs	Challenge for the Period under Review
Prg 1: Administration (Corporate Services)	Percentage change in the irregular expenditure baseline	7% against a target of 100% (R114 million). High vacancy rate, termination of contracts, limitation of scope transactions, and the new lengthy condonation process
	Number of Property Management modules implemented	Investment Analysis module not implemented as planned for the period under review owing to processes underway in concluding business case and business process
Prg 3: EPWP	Percentage EPWP participation among designated groups (women, youth and persons with disabilities) reported on the EPWP-RS by public bodies	41.94% against a target of 55% for Youth participation and 0.96% against 2% for persons with disabilities. Failure to attract Youth and Persons with disabilities due to project design and lack of sufficient engagement with Youth and Persons with disability.
Prg 4: Property and Construction Industry Policy and Research	Developed Public Works Bill	Due to lack of capacity to drive the White paper process, the work is moving slowly
	Developed Expropriation Act	Consultations with NEDLAC took longer than anticipated. Consultation
Prg 5: Prestige Policy	Number of Prestige policies approved	No Policy approved owing to prolonged stake-holder consultation and engagement on the policy



PMTE High Level Performance



General Performance Information

Challenges – PMTE

Programme	KPIs	Challenge for the Period under Review
Prg 1: Administration	Percentage of bids awarded within 56 working days from closure of tender advertisement	Business process review is being undertaken that will lead to revised turnaround times for all the steps in the procurement processes, external response timelines and improve efficiencies
Prg 3: Construction Project Management	Number of infrastructure projects completed within agreed construction period	<p>Slow progress and cash flows problems by contractors and the contractors not paying sub-contractors on time. Capacity constraints of the service providers.</p> <p>Poor performance by the contractors. Delays as result of inclement weather.</p> <p>Termination of consultant contracts. SMME strikes and shutting down of sites by SMME.</p> <p>Delays in obtaining construction permit.</p> <p>Delays in ordering of specialized installations by the contractors</p>
Prg 4: Real Estate Management Services	Percentage of lease agreements signed within scheduled timeframes	49% % against 100% lease agreements signed within scheduled timeframes. The post adjudication process involves more stakeholders. The period of one month needs to be reviewed to accommodate the post BAC process

General Performance Information

Challenges – PMTE

Programme	KPIs	Challenge for the Period under Review
Prg 5: Real Estate Information and Registry	Number of immovable Assets physically verified to validate existence	Some of the fieldworkers were not able to perform their duties in January 2020 due to contractual issues. Subsequent to that in February 2020 the vehicle contract was not renewed which led to the fieldworkers not being able to go on site. Challenges with Mobile verification tool
Prg 6: Facilities Management	Percentage of unscheduled reported maintenance incidents resolved within agreed timeframes	Worx4U - Inadequacy of the system which reflects faulty controls from the design. Migration from Worx4U to Archibus has commenced with 8 out of 11 regions.
	Number of kilowatt hours of renewable energy generated	Implementation of Integrated Resource Efficiency Programme with private sector Renewable Energy Power Purchase Agreements



Audit Outcomes on Audited Programmes

Programme 3: EPWP

2016/17	2017/18	2018/19	2019/20	Analysis of performance
Disclaimer	Qualification	Qualification	Qualification	Unchanged

- Sufficient appropriate audit evidence could not be provided in some instances while in other cases, the supporting evidence provided did not agree to the reported achievements in the annual performance report

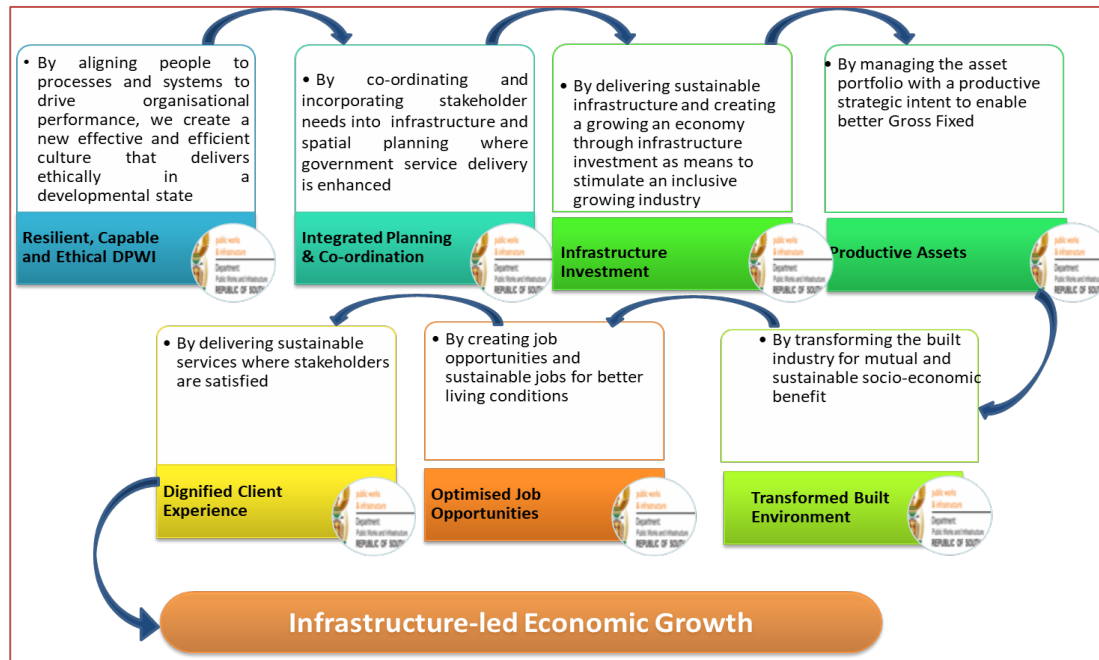
Programme 3: Construction Project Management

2016/17	2017/18	2018/19	2019/20	Analysis of performance
Disclaimer	Qualification	Qualification	Qualification	Unchanged

Different Approach to Performance Information Planning

Going forward, the Department applied the Theory of Change methodology and developed outcomes linked to the 6th Administration priorities of government namely:

- **PRIORITY 1:** Building a capable, ethical and developmental state
- **PRIORITY 2:** Economic transformation and job creation
- **PRIORITY 3:** Education, skills and health
- **PRIORITY 4:** Consolidating the social wage through reliable and quality basic services
- **PRIORITY 5:** Spatial integration, human settlements and local government
- **PRIORITY 6:** Social cohesion and safe communities
- **PRIORITY 7:** A better Africa and world.



Human Resource Management



Main Vote

Personnel expenditure by programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment (Including periodic appointment, etc.)
ADMINISTRATION	460 719	263 021	57,20	622,00	422
INTERGOVERNMENTAL COORDINATION	52 447	35 814	68,60	1 089,00	33
EXP&ED PUBLIC WORK PROGRAMME	2 638 163	159 688	6,10	453,00	352
PROPERTY&CONST IND POL & RES	4 523 840	13 396	0,30	753,00	18
PRESTIGE POLICY	85 094	31 617	37,20	878,00	36
Total as on Financial Systems (BAS)	7 760 263	503 536	6,50	584,00	861

- Employment includes permanent employees and employees in positions additional to the establishment it includes all employees even those not carried against a post e.g. periodic appointments, etc.
- Periodic appointments and abnormal appointments is how PERSAL identifies the nature of appointment of employees who are paid a stipend/time sheets for example NYS Learners, Land Affairs Board Members, etc. Compensation of Employees is based on BAS information for Cost of Employees.

Personnel expenditure by programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
Administration	541 779,00	420 370,00	77,6%	522,00	805
Construction Project Management	397 542,00	366 710,00	92,2%	712,00	515
Facilities Management Services	685 576,00	664 050,00	96,9%	214,00	3 108
Real Estate Information And Registry Services	51 064,00	50 788,00	99,5%	453,00	112
Real Estate Investment Services	192 138,00	168 804,00	87,9%	728,00	232
Real Estate Management Services	182 950,00	142 554,00	77,9%	555,00	257
Total	2 051 049,00	1 813 276,00	88,4%	3 184,00	5 029

Employment includes permanent employees and employees in positions additional to the establishment it includes all employees even those not carried against a post e.g. periodic appointments, etc.

Misconduct and disciplinary hearings finalized

Main Vote

Outcomes of disciplinary hearings	Number	Percentage (%) of Total	Total
DISMISSALS	4	20,00	4
SUSPENSIONS FROM WORK WITHOUT PAY	3	15,00	3
FINAL WRITTEN WARNINGS	5	25,00	5
WRITTEN WARNINGS	8	40,00	8
TOTAL	20	100,00	20

PMTE

Outcomes of disciplinary hearings	Number	Percentage (%) of Total	Total
Dismissal	4	4,90	4
Demotion	1	1,23	1
Suspension from Work Without Payment	23	28,00	23
Final Written Warning	24	29,62	24
Written Warning	18	22,00	18
Verbal Warning	3	2,00	3
Cases Dismissed	2	0,70	2
Not Guilty	1	0,70	1
Cases Withdrawn	5	2,00	5
TOTAL	81	100,00	81

Part B – Financial Information



Appropriation Statement Per Economic Classification

	2019/20				2018/19	
	Final Appropriation	Actual Expenditure	Variance	Expendi- ture as % of final appropri- ation	Final Appropriati- on	Actual expenditure
	R'000	R'000	R'000	%	R'000	R'000
Current payments						
Compensation of employees	557 085	503 535	53 550	90.4%	518 172	496 388
Goods and services	451 721	364 744	86 977	80.7%	469 723	469 583
Interest	107	107	-	100.0%	395	395
Transfers and subsidies						
Provinces and municipalities	1 598 233	1 598 232	1	100.0%	1 516 868	1 516 868
Departmental agencies and accounts	4 486 911	4 486 911	-	100.0%	4 173 787	4 173 787
Foreign governments and international organisations	24 621	24 620	1	100.0%	22 723	22 710
Public corporations and private enterprises	5 000	5 000	-	100.0%	28 362	28 362
Non-profit institutions	750 424	750 424	-	100.0%	720 158	720 158
Households	9 536	8 996	540	94.3%	9 315	8 714
Payments for capital assets						
Machinery and equipment	22 784	17 022	5 762	74.7%	21 220	8 981
Software and other intangible assets	457	457	-	100.0%	518	518
Payments for financial assets	166	166	-	100.0%	2 085	2 085
Total	7 907 045	7 760 214	146 831	98.1%	7 483 326	7 448 549

Explanatory Notes To Expenditure Variance

Economic Classification

☐ **Compensation of employees**

- Compensation of employees underspent due to delay in filling vacant positions and positions that became vacant during the financial year.

☐ **Goods and services**

- Goods and services expenditure underspending is mainly due to the following:
 - ✓ Communication – due to participation in transversal contract by Treasury and implemented cost containment measures.
 - ✓ Audit fees –due to decreased number of activities in DPWI which require extensive attention of AGSA.
 - ✓ Contractors – spending on this item is mainly linked to State Functions and the underspending is mainly due to decreased number of state functions.
 - ✓ Operating leases –due to lower than projected spending on leasing of office accommodation.
 - ✓ Travel and subsistence –due to implemented cost containment measures.
 - ✓ Agency and support /outsourced services – underspending is mainly due to delays in procurement due to non-responsive bidders and resulting in delays of public bodies confirming projects for Mentorship in terms of contractor development.
 - ✓ Consultant: business advisory services outsource services - underspending is mainly due to delays in procurement due to non-responsive bidders.

☐ **Payments for capital assets**

- Machinery and equipment expenditure underspent due to delay in acquisition of assets for vacant positions planned to be filled during the financial year.



DPWI STATEMENT OF FINANCIAL PERFORMANCE



Audit Opinion

DPW and PMTE

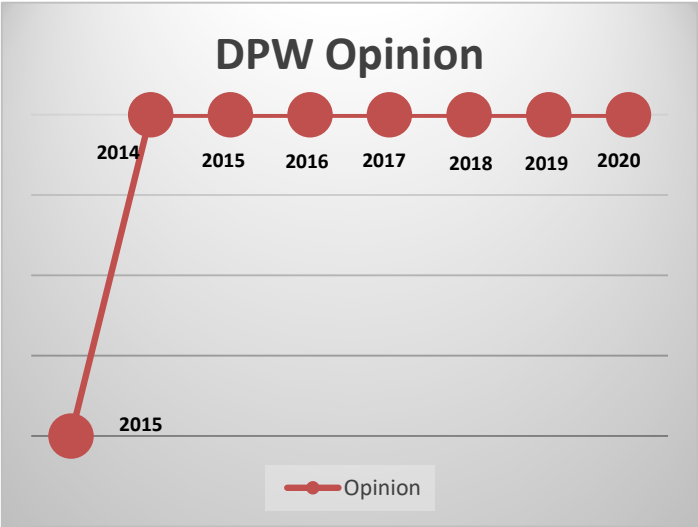
Clean

Unqualified

Qualified

Adverse

Disclaimer



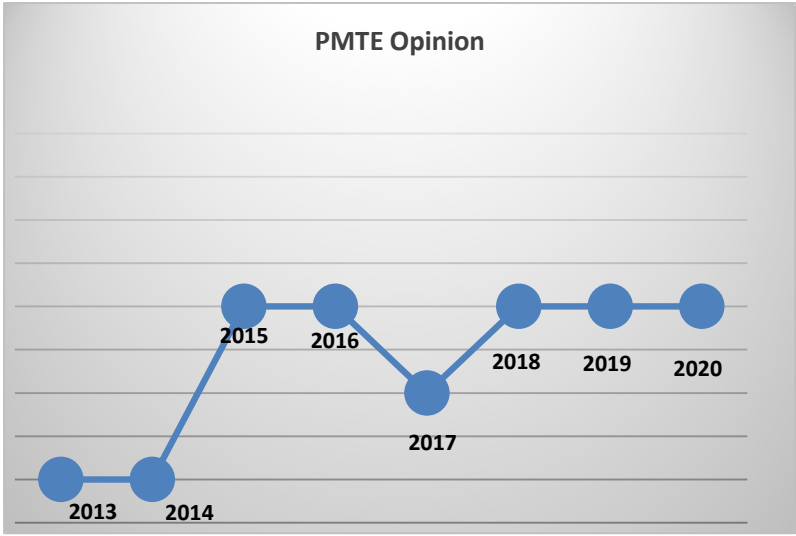
Clean

Unqualified

Qualified

Adverse

Disclaimer



2018/19	2019/20	Analysis of performance
Unqualified	Unqualified	Unchanged

2018/19	2019/20	Analysis of performance
Qualified	Qualified	Unchanged

Statement Of Financial Performance

	Note	2019/20 R'000	2018/19 R'000	Year on Year comparative - Increase /(decrease) R'000
Revenue		7 934 112	7 486 804	447 308
Annual appropriation	1	7 907 045	7 483 326	423 719
Departmental revenue	2	27 067	3 478	23 589
Expenditure		7 760 214	7 448 549	311 665
Compensation of employees	3	503 535	496 388	7 147
Goods and services	4	364 744	469 583	(104 839)
Interest and rent on land	5	107	395	-288
Transfers and subsidies	7	6 874 183	6 470 599	403 584
Tangible capital assets	8	17 022	8 981	8 041
Intangible assets	8	457	518	(61)
Payments for financial assets	6	166	2 085	(1 919)
Surplus for the year		173 898	38 255	135 643

Explanatory Notes To Statement Of Financial Performance

❑ Annual appropriation

- Year on year budget increase, with additional funding mainly under transfers and subsidies

❑ Departmental revenue

- Accrued interest revenue of R12 million from transfer payment for the Non-state Sector Programme

❑ Goods and services

- Significant decrease under the following items:
 - ✓ Contractors
 - ✓ Communication

❑ Transfers and subsidies

- Increase in budget for the 2019/20.

❑ Payments for capital assets

- Procurement of additional machinery and equipment (ICT) and domestic furniture under Prestige Management.

❑ Surplus for the year

- Under spending of compensation of employees and goods and services

Compensation Of Employees Expenditure Analysis

Compensation of employees analysis	2019/20 R'000	2018/19 R'000
Salaries and wages	445 332	441 787
As percentage of compensation of employees	88%	89%
Social Contributions	58 203	54 601
As percentage of compensation of employees	12%	11%
Total compensation of employees	503 535	496 388
Number of employees	733	819

Analyses of Significant Goods and Services items

	2019/20 R'000	2018/19 R'000	Reasons for significant increase/decrease in spending
Communication	8 636	25 954	Low spending is due the Department participation in transversal contract by Treasury and implemented cost containment measures.
Computer services	39 215	29 294	Mainly due to renewal and upgrading of software licences and other software licences accruals that could not be paid in 2018/19 financial year due to name change on supplier invoice which had to be verified before processing payment.
Legal services	34 534	17 587	Mainly due to delay in receipt of invoices from Department of Justice & Constitutional Development resulting in accruals that were paid in the current financial year.
Contractors	19 703	130 629	Fewer number of state functions has contributed to the reported under spending, as only R9.7 million has been spent against the budget allocation of R41 million allocated for the State functions. High expenditure in 2018/19 financial year was due to unforeseen and unavoidable state funerals, as declared by the President.
Agency and support/ outsourced services	52 895	69 951	Mainly due to delays in procurement due to non-responsive bidders and resulting in delays of public bodies confirming projects for mentorship in terms of contractor development.
Property payments	19 342	10 351	Mainly due to tariff increase on property payment related services.
Total	174 325	283 766	



DPWI STATEMENT OF FINANCIAL POSITION



Statement Of Financial Position

	Note	2019/20 R'000	2018/19 R'000	Year on Year comparative - Increase /(decrease) R'000
Assets		358 883	357 519	1 364
Current Assets		282 095	285 541	-3 446
Unauthorised expenditure	9	261 169	261 169	0
Cash and cash equivalents	10	125	125	0
Prepayments and advances	11	16 487	5 130	11 357
Receivables	12	4 314	19 117	(14 803)
Non-current assets		76 788	71 978	4 810
Receivables	12	76 788	71 978	4 810
Liabilities		355 280	353 853	1 427
Voted funds to be surrendered to the Revenue Fund	13	146 831	34 777	112 054
Departmental revenue to be surrendered to the Revenue Fund	14	14 918	1 669	13 249
Bank overdraft	15	153 176	266 533	(113 357)
Payables	16	40 355	50 874	(10 519)
Net assets		3 603	3 666	(63)

Explanatory Notes To Statement of Financial Position

☐ Prepayments and advances

- EPWP advance to IDT and ILO and Microsoft licences

☐ Receivables

- Decrease in receivables is mainly in respect of Provincial Departments (Limpopo) from R13 million in 2018/19 to 2019/20.

☐ Bank overdraft

- Increase in under spent budget

**DPWI
NOTES TO THE
FINANCIAL STATEMENTS**



Disclosure Notes

	2019/20	2018/19	Year on Year comparative - Increase /(decrease) R'000
	R'000	R'000	R'000
Contingent liabilities	4 333	6 077	(1 744)
Commitments	2 054	2 030	24
Accruals	17 844	10 599	(7 245)
Payables not recognised	307	38 613	(38 306)
Employee benefits	49 101	51 124	2 023
Finance leases	6 302	3 475	2 827

- ❑ Contingent liabilities variance is due to an decrease in Intergovernmental payables.
- ❑ Accruals variance compared to the previous year is mainly as a result of a decrease in accruals relating to EPWP (NSF).
- ❑ Payables not recognised decreased due to a reduction in travelling and consultancy services
- ❑ Employees benefits decreased as a result of changes in the performance bonuses maximum percentage from 1.5% to 0.75% of compensation of employees.
- ❑ The variance in financial lease commitments is attributable to 50% of the machines contracts being renewed during the 2019/20 financial year.



Bank Overdraft Analysis

	2019/20	2018/19	Year on Year comparative - Increase / (decrease) R'000
	R'000	R'000	R'000
The bank overdraft analysis:			
Unauthorised expenditure	261 169	261 169	-
Add: Payments made to be recovered from other parties (receivables) or advance payments not yet expensed	97 714	96 567	1 147
Prepayments and advances	16 487	5 347	11 140
Receivables	81 102	91 095	(9 993)
Cash and cash equivalents	125	125	-
Less: Liabilities (monies received not yet paid)	205 707	91 203	114 504
National Treasury (voted funds* and departmental revenue not yet paid over)	161 749	36 663	125 086
Other payables (e.g. Advances received)	40 355	50 873	(10 518)
Recoverable revenue	3 603	3 667	(64)
Bank overdraft	153 176	266 533	(113 357)

Unauthorised Expenditure

	2019/20 R'000	Prior years R'000
Overspending on compensation of employees	67 135	67 135
Overspending on goods and services	13 620	13 620
Unauthorised expenditure as a result of capital expenditure on schools	178 087	178 087
Overspending on transfer and subsidies	2 327	2 327
Closing balance	261 169	261 169

- ☐ No unauthorised expenditure incurred in the current financial year.
- ☐ Unauthorised expenditure report has been submitted to Treasury for recommendation to Parliament.



❑ Compensation of employees

- 2008/09
- 2011/12

Total R67.135 million

R48.84 million (Programme 1)

R18.294 million (Programme 1 and 2)

❑ Goods and services

- 2007/08
- 2011/12

Total R13.62 million

R9.653 million (Programme 3 – EPWP)

R3.966 million (Programme 2 - Energy Efficiency Project)

❑ Transfers and subsidies

- 2011/12
- 2011/12

Total R2.327 million

R82 000 (Programme 2 – Household)

R2.245 million (Programme 4 – Agreement SA)

❑ Payments for capital assets

- 2012/13
- 2012/13
- 2013/14
- 2014/15

Total R178.587 million (*Amounts spent in response to the call for the eradication of mud schools*)

R3.985 million (Furniture for constructed schools in EC & NW)

R162.386 million (Construction of schools in EC & NW)

R6.215 million (Construction of schools in EC & NW)

R5.501 million (Construction of schools in EC & NW)



Irregular Expenditure

	2019/20	2018/19
	R'000	R'000
Opening balance	106 898	115 532
Prior period error	-	(6 281)
Add: IE relating to the prior year	77 477	-
Add: IE relating to the current year	6 497	-
Less: Prior year amounts condoned	-	-
Less: Current year amounts condoned	-	(2 353)
Less : amounts not condoned and recoverable	-	-
Closing balance	190 872	106 898

Increase in irregular expenditure mainly relates to the overcharging on contract price schedules and unapproved deviations during the procurement of services for state functions and irregular appointments of officials within the Department.



DPW Fruitless And Wasteful Expenditure

Note to AFS:	2019/20 R'000	2018/19 R'000
Opening balance	973	1 157
Prior period errors	-	(184)
Add: F&W relating to the prior year	-	-
Add: F&W relating to the current year	-	-
Less: Amounts transferred to receivables for recovery	-	-
Less: Amounts written off	-	-
Closing balance	973	973

- No new cases of fruitless and wasteful expenditure reported in the current financial year



PMTE FINANCIAL PERFORMANCE



2. Financial Results

Executive summary

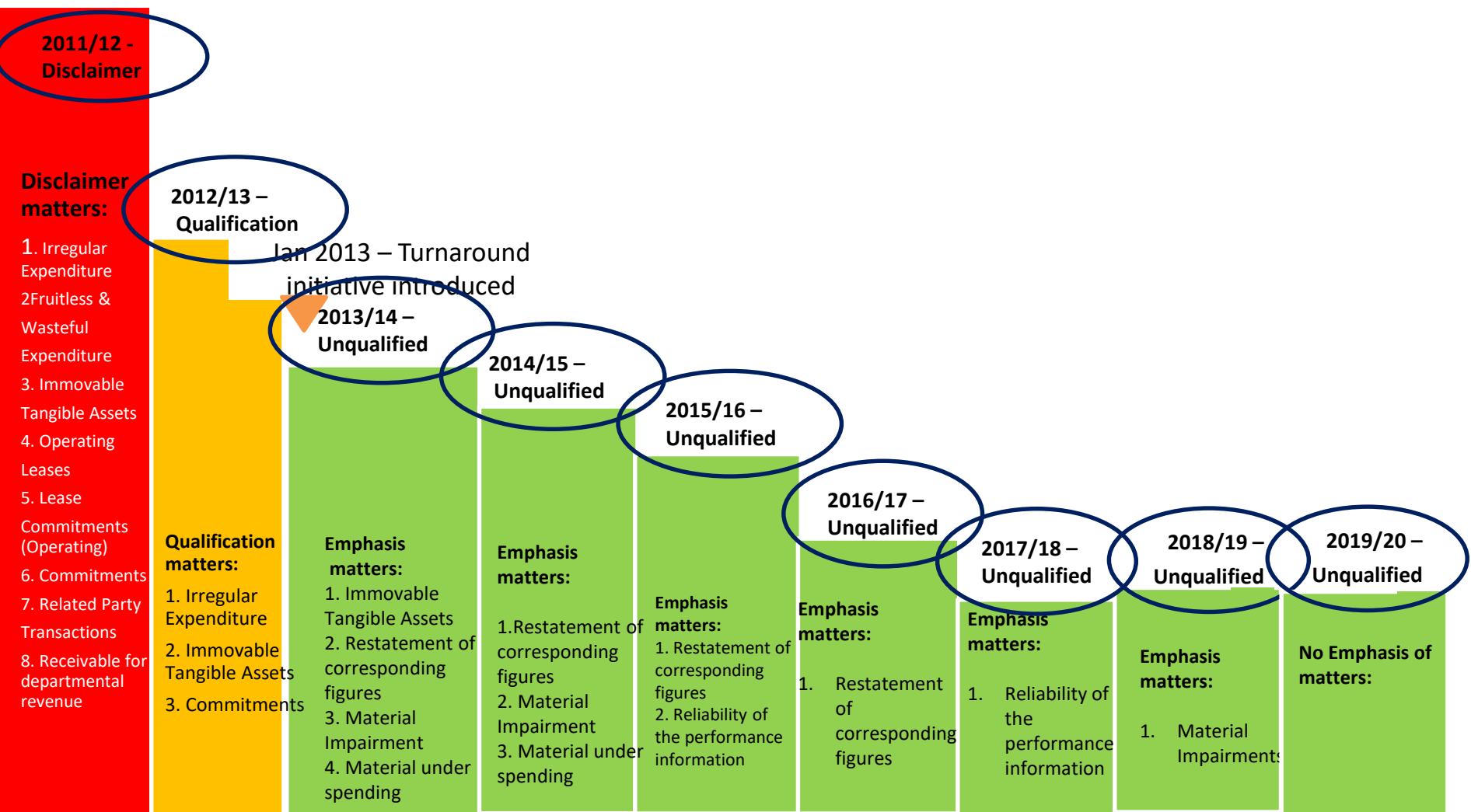
- No changes in accounting policies
- **Qualification** due to material:
 - understatement of the Immovable Assets
 - overstatement of operating lease expenditure and operating lease revenue.
- **Emphasis of matter** draws attention to:
- **Impairment on Receivables** of R1.45 billion (2019 R740 million)
 - This results primarily on impairments on recoverable municipal services and recoverable operating lease payments.
- **Going concern due to:**
 - Bank overdraft of R2,6 billion
 - Current liabilities exceeding current assets by 9.0 billion
- **Operating surplus** of R2.5 billion (2019: 1.4 billion)



Progress on Audit Outcomes

DPW Main Vote

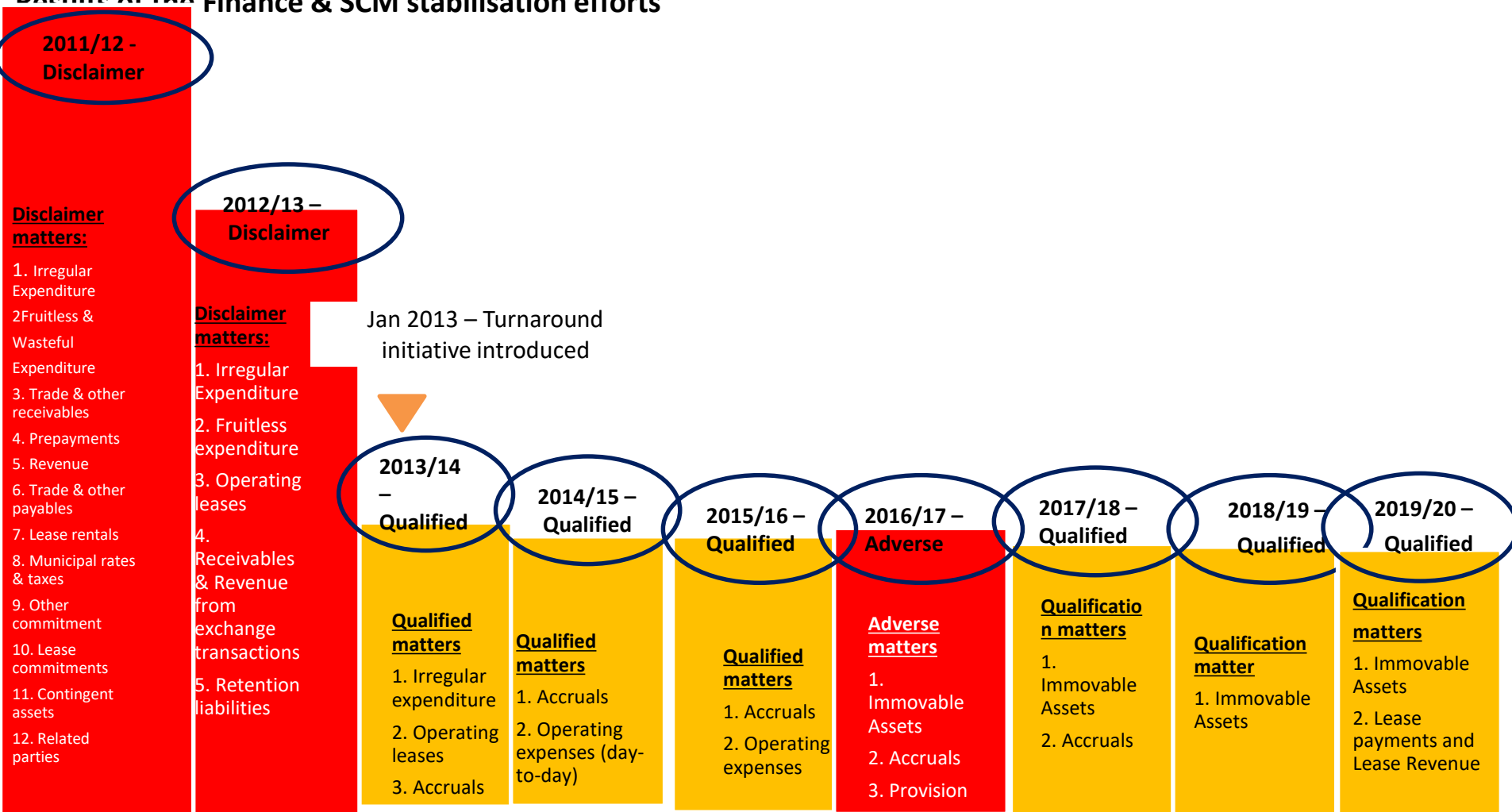
Results of the Finance & SCM stabilisation efforts



Progress on Audit Outcomes

PMTE Main Vote

Results of the Finance & SCM stabilisation efforts



HISTORICAL AUDIT OUTCOMES

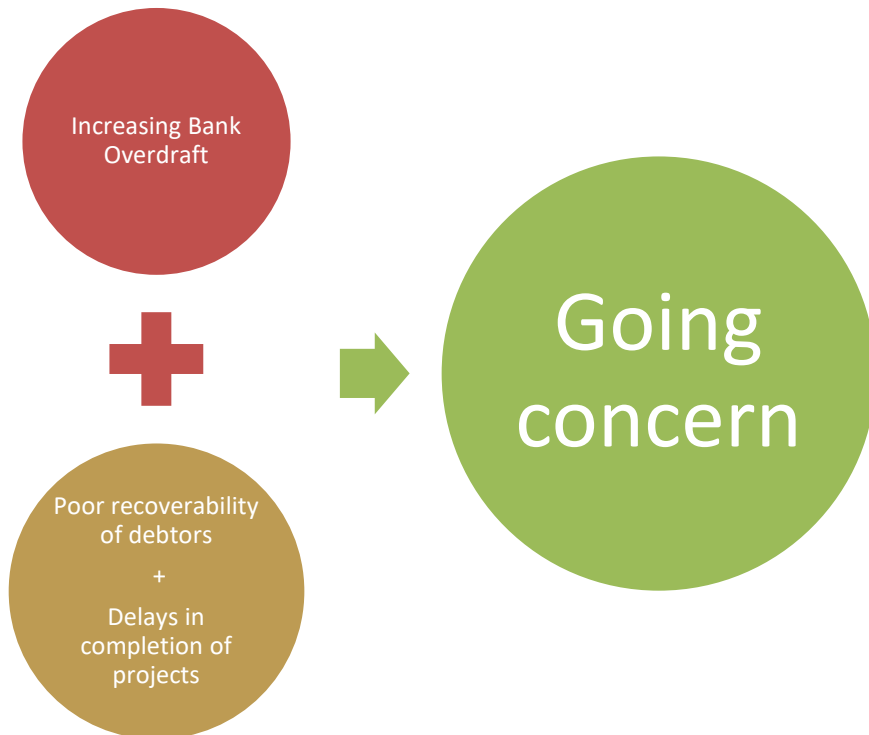
An overview

Assertion	Approach	Management status confirmed by AGSA audit
Completeness	<p>Use of deeds download in conjunction with DRDLR & extensive reconciliation of data with other State land custodians for all registered properties.</p> <p>Deeds / Aktex is used as a basis and substantiated with other documents & Sources e.g. Copy Original Title deeds & SG diagrams</p> <p>-Compliance with the Immovable Asset Guide</p>	Addressed by management
Ownership Rights & Obligations	<p>-Ownership is confirmed as per Title Deed/Aktex</p> <p>-Vesting process is also confirming ownership</p> <p>-Payment of rates and taxes</p> <p>-Physical verification to prove property use & confirm custodian</p>	Addressed by management
Existence	-Conducting physical verification and other desktop methodologies to prove existence and have photos, GPS Coordinates & SG diagrams as portfolio of evidence	Addressed by management
Presentation & Disclosure	-Comply with the applicable Accounting Framework (MCS or GRAP) and NT Immovable Asset Guide	-GRAP team to compile notes and supporting schedules to the financial statements including new disclosure requirements
Valuation	<p>- Apply the Fair Value/Deemed Cost Model on land, buildings and significant components to eliminate assets recorded at R1</p> <p>-Classification of WCS projects (Opex vs Capex) and capitalisation of completed projects</p>	<p>The Municipal Valuation Rolls and extents of the land parcels are being reviewed to determine the value of some assets</p> <p>Significant findings raised by AG on Valuation and classification of projects</p>

2. Going Concern

Underlying assumption

Uncertainty: Major indicators



Notwithstanding the indicators: PMTE is still considered a going concern:

Initiatives to address concerns:

Implemented

- Charge interest on overdue accounts
- Institutionalise joint task team – resolve client complaints
- National Treasury intervention / Ministerial intervention on outstanding debt
- Transfer Municipal Services function to client departments with effect from 1 April 2020

Medium term:

- Claim leases quarterly in advance from client departments (R1b).
- Operationalisation and Financial Sustainability Programme (OFSP)
- Ring fence all clients accommodation budget
- Full implementation of User Charge Model



2. Statement of Financial Position Highlights

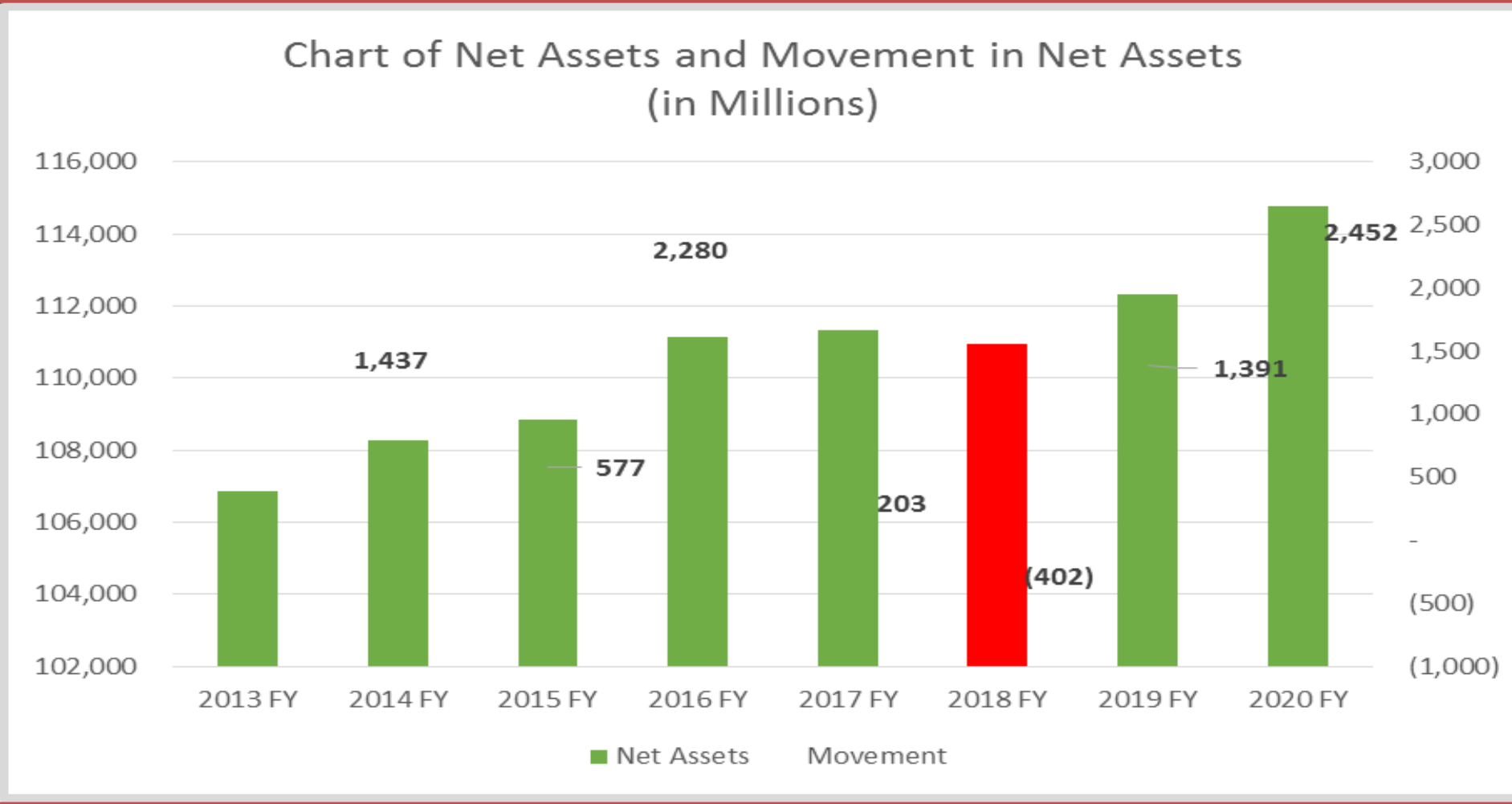
- **Summarized:**
 - Non-current assets: R123.8 b
 - Current assets: R6.5 b
 - Non-current liabilities: R24 m
 - Current liabilities: R15.5 b (incl. deferred revenue: R5.7b and Bank overdraft: R2.6 b)
- **Key Ratios:**
 - Solvency Ratio - 8:1
 - Liquidity Ratio - 0.42:1
 - Ratio excl. Deferred revenue - 0.67:1

Norm
2:1
1:1

Net Assets
2020: R115 billion (2019: R112 billion)



Trend Analysis for Net Assets and Movement in Net Assets





Statement Of Financial Position

Assets

	2020 R'000	2019 R'000	Year on Year R'000	% change	Comments
Current assets	6 509 311	5 588 184	692 144	9%	
Receivables from exchange	5 855 469	5 420 687	434 782	8%	
Receivables from non-exchange	109	252	(143)	-57%	
Operating lease asset	645 619	389 581	256 038	66%	Straight lining adjustment for leases – increase due to an increase in long term lease agreements replacing month to month leases.
Cash and cash equivalent	8 114	6 647	1 467	22%	Increase in deposits received in bank balance
Non-current assets	123 786 071	123 585 365	200 706	0%	
TOTAL ASSETS	130 295 382	129 402 532	892 850	1%	

Statement Of Financial Position – Liabilities And Net Assets

	2020 R'000	2019 R'000	Year on Year R'000	% chan ge	Comments
Current liabilities	15 491 011	17 057 112	(1 566 101)	-9%	
Operating lease liability	648 411	364 730	283 681	78%	Straight lining adjustment for leases – increase due to an increase in long term lease agreements replacing month to month leases.
Bank overdraft	2 580 895	2 683 976	(103 081)	-4%	
Deferred revenue	5 702 610	7 882 994	(2 180 384)	-28%	This liability is a function of how many new recoverable Construction projects were started during the year and how many recoverable constructions projects reached practical completion. For 2019/20 financial year, more projects reached practical completion than were added.
Payables from exchange	5 412 969	4 876 820	536 149	11%	There was an increase in Property Rates due to the change in payment methodology from Annual in advance to Monthly. There was also an increase in non-financial liabilities due to overclaims of leases.
Retention liabilities	320 812	393 380	(72 568)	-18%	More projects were completed in the FY, thus reducing the current portion of the Retention liabilities.
Employee obligation	198 092	207 713	(9 621)	-5%	
Finance lease obligation	3 446	3 726	(280)	-8%	
Provision	623 776	643 773	(19 773)	-3%	
Non-current liabilities	23 591	16 157	7 434	46%	
TOTAL LIABILITIES	15 414 602	17 073 269	(1 558 667)	-9%	
NET ASSETS (Accumulated Surplus)	114 780 780	112 329 263	2 451 517	2%	



2. Statement of Financial Performance Highlights

- Revenue recognised for deferred revenue increased by R2 billion
 - Impacted by completion of capital projects
- Impairment loss on receivables increased by R715 million

**Surplus of R2.5 billion
(2019: R1.4 billion)**



Statement Of Financial Performance

	2020 R'000	2019 R'000	Year on Year R'000	% change	Comments
TOTAL REVENUE	19 366 037	16 481 646	2 884 391	18%	
Revenue from exchange	14 753 827	12 110 147	2 643 680	22%	Due to increase in revenue recognised from deferred revenue.
Revenue from non-exchange	4 347 614	4 046 881	300 733	7%	
Construction revenue	264 596	324 618	(60 022)	-18%	Due to the decrease in recoverable maintenance projects.
TOTAL EXPENSES	16 914 520	15 090 672	1 823 848	12%	
Construction expenses	264 596	324 618	(60 022)	-18%	Due to the decrease in recoverable maintenance projects.
Depreciation, amortisation and impairment	2 442 162	2 328 975	113 187	5%	
Employee related costs	1 821 360	1 792 150	29 210	2%	
Impairment on receivables	1 456 081	740 734	715 347	97%	Increase was due to declining recovery of debtors.
Interest expense	85 072	73 549	11 523	16%	Actual interest paid amounted to 3.1 million, and interest on finance leases amounted to R1.1 million. The remainder of R80.8 million was due to notional interest expense calculated on backlog accrued municipal debt.
Loss on disposal/transfer of assets	122 261	104 848	17 413	17%	This is a function of the number of properties donated to spheres of government during the financial year.
Operating leases	5 189 491	4 767 815	421 676	9%	
Property maintenance	2 876 443	2 317 211	559 232	24%	There was an increase in Unplanned maintenance expenditure during the year.
Property rates	1 209 428	1 238 779	(29 351)	-2%	
Sundry operating expenses	1 447 626	1 401 993	45 633	3%	
(DEFICIT) / SURPLUS	2 451 517	1 390 974	1 060 543	76%	



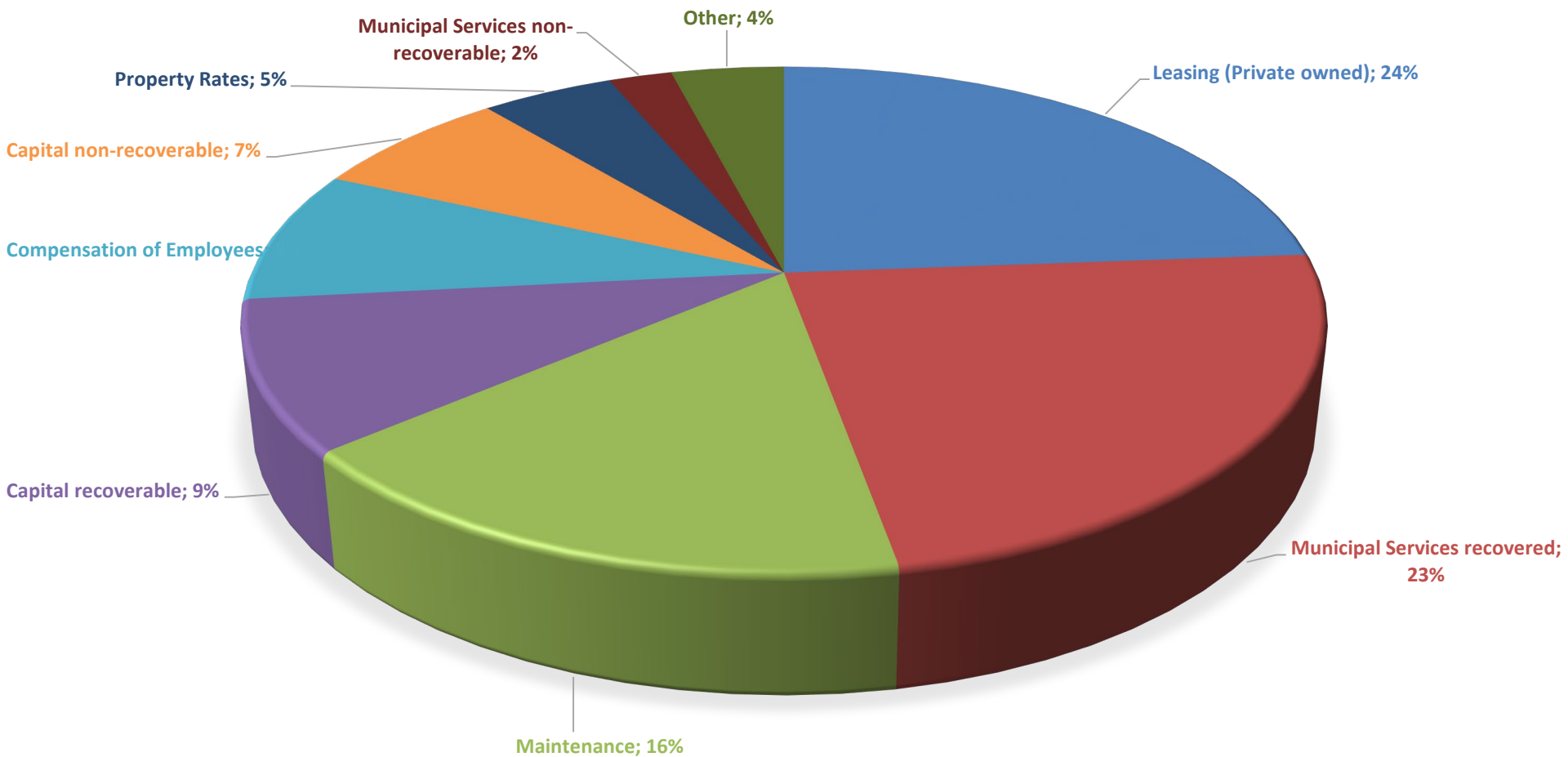
Revenue Budget And Receipts

	2019/20				2018/19		
	Final Budget	Actual Receipts	Variance	% received	Final Budget	Actual Receipts	% received
	R'000	R'000	R'000	%	R'000	R'000	%
Accommodation charges – leasehold	5 039 642	4 666 345	(373 297)	93%	4 394 217	4 785 640	109%
Accommodation charges – state owned	7 566 959	7 337 967	(228 992)	97%	7 815 786	6 141 302	78%
Accommodation charges freehold- private	58 320	49 100	9 220	84%	54 000	50 675	94%
Augmentation	4 315 736	4 315 736	0	100%	4 009 490	4 009 490	100%
Interest, fines, recoveries and other receipts	9 592	0	9 592	0%	9 084	20 195	222%
Municipal Services recovered	5 235 826	4 078 043	(1 157 783)	78%	4 484 162	3 700 594	83%
Municipal Services Management Fees	212 220	203 902	(8 318)	96%	184 633	185 030	100%
Construction revenue	-	264 596	264 596	-	-	328 495	-
Total	22 438 295	20 915 689	(1 522 606)	93%	20 951 372	19 221 421	92%

Budget And Expenditure Per Economic Classification

	2019/20				2018/19		
	Final Budget	Actual Expenditure	Variance	% Spent	Final Budget	Actual expenditure	% Spent
	R'000	R'000	R'000	%	R'000	R'000	%
Current payments							
Cleaning and Gardening	303 262	276 746	(26 516)	91%	298 521	280 002	94%
Admin Goods and Services	509 226	454 156	(55 070)	89%	518 330	565 013	109%
Maintenance	3 120 524	3 542 175	421 651	114%	3 315 482	2 857 225	86%
Municipal Services recovered	5 235 826	4 986 501	(249 325)	95%	4 484 162	4 484 162	100%
Leasing (Private owned)	5 098 642	5 081 000	(17 642)	100%	4 533 567	4 533 567	100%
Property Rates	1 008 110	1 008 110	0	100%	1 386 125	1 210 051	87%
Compensation of Employees	2 051 049	1 813 276	-(37 773)	88%	1 763 057	1 763 856	100%
Municipal Services non-recoverable	499 004	482 792	(16 212)	97%	388 605	363 698	94%
Construction costs	-	264 596	264 596	-	-	328 495	-
Total current payments	17 825 643	17 909 352	83 709	100%	16 690 771	16 386 068	98%
Capital payments							
Capital recoverable	2 474 459	2 039 469	(434 988)	82%	2 706 979	1 715 756	63%
Capital non-recoverable	2 083 443	900 910	(1 182 535)	43%	1 496 365	1 409 365	94%
Machinery & Equipment	54 750	30 409	(24 341)	56%	31 440	29 222	93%
Intangibles	0	0	0	0%	20 206	20 206	100%
Finance Leases	0	0	0	0%	5 611	5 611	100%
Total capital payments	4 612 652	2 970 788	-1 641 864	64%	4 260 601	3 180 161	75%
Grand Total	22 438 295	20 880 140	-1 558 155	93%	20 951 372	19 566 229	93%

Allocation per Economic Classification Chart – 2019/20



Notes to Expenditure Summary per Economic Classification

Current year budget and expenditure analysis

Cleaning and gardening

Cleaning and horticultural services are provided to the facilities occupied by PMTE, Justice and Prestige. These services are delivered partially through in-house capability and partially through the use of external service providers. The variances is attributable to the delay in the procurement of new contracts where the existing contracts have expired. The reason for the delay was the extended time it took to obtain the security vetting results.

Administrative, goods and services

The underspending on this budget was due to allocation of R50m for updating and correcting of immovable asset register which was not spent. This amount will be spent in the next financial year as part of a R100 million project

Compensation of Employees

The under-expenditure on this budget is attributable to the delay in the filling of vacant positions.

Maintenance

The reasons for overspending on this budget was due to the reclassification of expenditure between Capex and Opex projects.

Machinery & Equipment

The under-expenditure is attributable to the delay in the procurement of the additional VC facilities Tenders which were advertised but could not be adjudicated before the end of the financial year. Also funding allocated for procurement of laptops throughout all the branches has not been spent due to delays experienced in ICT with the SITA contract.

Notes to Expenditure Summary per Economic Classification

Current year budget and expenditure analysis

Capital recoverable expenditure

The reasons for underspending on this budget was due to the poor performance by the contractors and the delay and extension of time on some of the projects.

Capital non-recoverable expenditure

The reasons for the underspending was due to the delay in the execution of projects which was caused by poor performance of some of the contractors, delays in appointing new contractors as well as the delays of the extension of time on some of the projects. As the projects are recoverable, the PMTE has to request approval from the client departments before tenders are advertised, when recommended bids are higher than the estimate and every time there is an increase in the cost of the project. Delays in client responses is a major cause of under-expenditure. Clients are expected to sign-off on their available allocations before the start of the financial year, but some Clients only make the allocations available during the first quarter of the financial year. This leads to further delays and under-expenditure as projects cannot be placed on the Procurement Plan before approval of the budget.



PMTE DEBTORS INFORMATION



Total Outstanding Balance As At 31 March 2020

Categories	Opening Balance as at 01/04/19	Adjustment	Amount received for prior year	Outstanding for prior year	Amounts Invoiced for 2019/20	Amount Received for 2019/20	% Recover y	Total Outstanding Balance
	R'000		R'000	R'000	R'000	R'000	%	R'000
Accommodation (State Owned)	932 109	0	738 282	193 827	5 123 763	4 906 713	96%	410 877
Accommodation (Private)	129 783	(44 483)	125 900	(40 600)	5 279 997	4 540 445	86%	698 952
Municipal Services	2 560 325	(21 193)	537 686	2 001 446	5 384 119	3 744 258	69%	3 641 307
PACE	252 173		194 542	57 631	1 542 962	1 139 701	74%	460 875
Recoverable: CA	298 031		174 684	123 347	496 432	184 044	37%	435 735
Total	4 172 421	(65 676)	1 771 094	2 335 651	17 827 273	14 515 161	81%	5 647 746

Debtors Age Analysis As At 31 March 2020

Categories	Current	30 Days	>60 Days	Total 2019/20	Prev Years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Accommodation (State Owned)	3 967	384	212 699	217 050	193 827	410 877
Accommodation (Private)	177 285	74 284	366 712	618 281	80 671	698 952
Municipal Services	545 917	210 204	883 739	1 639 860	2 001 446	3 641 306
PACE	292 256	51 849	59 139	403 244	57 631	460 875
Recoverable: CA	67 940	38 395	206 054	312 389	123 346	435 735
Total	1 087 365	375 116	1 728 343	3 190 824	2 456 921	5 647 745
				56%	44%	

Key Initiatives To Address Outstanding Debt

- Letters to ring fence and reversal of devolution of capital budgets have been submitted to National Treasury on 23 May 2019, 25 February 2020 and 23 March 2020. Received the response from NT on the 6 August 2020 and the highlights are as follows:
 - NT does not support the review of the devolution framework and introduction of accommodation charges especially the reversal of the decision of devolving of capital and accommodation budgets;
 - The ring-fencing of the clients budget will not yield the required results and some of the budgets were previously ring-fenced therefore DPWI must conduct a formal review of the bank overdraft;
 - The request for clients to pay in advance is legally sound and is consistent with the Treasury regulations.
- Interest is levied on all outstanding balances;
- Letters have been sent from our Minister to her counterparts requesting settlement of all outstanding debts (top 16 client departments) within 30 days upon receipt of the letter;
- An Inter-governmental agreement on billing and recovery has been developed and sent to the clients to sign;
- Billing in advance is being implemented to the clients although there is some resistance.



It is recommended that the Portfolio Committee:

- Notes the 2019/20 Annual Performance of the Department of Public Works & Infrastructure

Thank You



National Department of Public Works and Infrastructure (NDPWI)

Head Office: Public Works

CGO Building

Cnr Bosman and Madiba

Pretoria Central

Private Bag

X65

Pretoria

0001

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