THE BUDGETARY REVIEW AND RECOMMENDATION REPORT (2020/21) OF THE PORTFOLIO COMMITTEE ON PUBLIC WORKS AND INFRASTRUCTURE ON THE PERFORMANCE OF THE NATIONAL DEPARTMENT OF PUBLIC WORKS AND ITS ENTITIES, DATED 10 NOVEMBER 2021

On 10 November 2021, the Portfolio Committee on Public Works and Infrastructure (the committee, or PC on PWI) met to consider and assess the performance of the Department of Public Works and Infrastructure (DPWI), the Property Management Trading Entity (PMTE), and public works entities for the financial year under review (2020/21).
The assessment was based on an analysis of the strategic plan (SP 2020-2025), annual performance plan (APP for 2020/21), quarterly performance reports for the 2020/21 financial year, the audited annual financial statements contained in the annual reports, and an engagement with the Auditor-General on its findings. The committee now reports as follows.

1. INTRODUCTION

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009, hereafter referred to as Money Bills Act) guides that portfolio committees of parliament must conduct reviews of the audited financial statements of their respective departments and entities and, if required, issue recommendations on the forward use of resources. The Act further requires that committees submit the budgetary and recommendation reports "after the adoption of the Appropriation Bill and prior to the adoption of the reports on the Medium Term Budget Policy Statement."[1]
The analysis contained in this report was affected by arrangements for the local government elections, the Covid-19 pandemic, and a number of subsequent phased lockdowns implemented through the Disaster Management Act (No. 57 of 2002). At least three ways in which this affected the performance assessments and oversight work of this committee is dealt with in the following paragraphs. Note that this relates to the process of oversight being a chain of linked events throughout the five-year term of this administration.
Firstly, the staged lockdowns emanating from the pandemic led to the Minister of Finance giving departments and entities permission to table their annual reports later than usual.
Secondly, the local government elections led to a number of last-minute changes to the programming of parliament that limited the days on which the committee could engage with the DPWI and the entities reporting to the Minister. This report therefore had to be considered on the same day that the committee met with the DPWI, Auditor-General and public works entities.
Thirdly, as there were fewer days on which to deal with quarterly performance reports, instead of providing incremental updates on some of the recommendations that was made in the 2019/20 BRRR of this committee, the DPWI opted to provide a bulk response that requested the Secretary to Parliament to route these to the committee. This creates a layered line of communication between the committee and the DPWI which did not previously exist. We describe it here as 'layered' as it has the effect of delaying the responses of the DPWI to the analysis and assessment of its performance in the previous year. A bulk response also has the effect of loading an excess of information all at once on the Members. This has a clouding effect of detail of possible changes that the DPWI might have implemented in dealing with each item that it recommended. The 2019/20 BRR recommendation clearly stated under section 8 of the report "that the Minister must ensure that the department reports to it in each of the quarterly performance reports on:" and then lists 13 matters that required attention. The committee views the once-off bulk reporting as one of the unfortunate effects of the limited time due to lockdowns. Right at the start of this report, it emphases that each report should have been sent to the committee incrementally in quarterly performance reports, so that the possible effects of performance improvement in the department could be overseen as close to the time of implementation as possible.
The Budgetary Review and Recommendation Report (BRRR) provides an assessment of the department's service delivery performance given available resources; an assessment on the

[1] Section 5(4), the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009)

effectiveness and efficiency of the department's use and forward allocation of available resources; and may include recommendations on the forward use of resources.
The Money Bills Act stipulates that the portfolio committees of the national Assembly should assess the performance of the department and its entities annually through an analysis of the:
"(a) medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives, as tabled in the National Assembly with the national budget;
(b) prevailing strategic plans;
(c) the expenditure report relating to such department published by the National Treasury in terms of section 32 of the Public Finance Management Act (PFMA);
(d) the financial statements and annual report of such department;
(e) the reports of the Committee on Public Accounts relating to a department; and
(f) any other information requested by or presented to a House or Parliament."[2]
In order to hold the Minister as executive authority, and the Director-General (DG) as accounting officer accountable, the quarterly performance reports presented to the committee during this financial year is part of the assessment process that the committee undertakes.

The mandate of the DPWI and the PMTE
Schedule 4, Part A of the Constitution of the Republic of South Africa containing the "Functional Areas of Concurrent National and Provincial Legislative Competence" sets out the legal mandate of the DPWI.
The Government Immovable Assets Management Act (GIAMA) (2007) describes the department's mandate as custodian of government's immovable properties in further detail.
The department is responsible for the official accommodation of all national departments. It provides construction, maintenance, and property management services to all client departments at national level. This includes the rendering of expert built environment services relating to the planning, acquisition, management and disposal of immovable assets.
The department also provides strategic leadership of employment creation through the implementation of phase three of the Expanded Public Works Programme (EPWP). The department plays a coordinating and capacity-enhancement role with provincial and local government counterparts to ensure the implementation of the EPWP.

The following Acts form the legislative mandate of the DPWI and PMTE:
- Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007);
- The Infrastructure Development Act (Act No. 23 of 2014)[3];
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);
- Council for the Built Environment Act, 2000 (Act No. 43 of 2000);
- The six Acts that regulate the Built Environment Profession Councils (BEPCs);
- The Agrément South Africa Act, 2015 (Act No. 11 of 2015);
- Public Finance Management Act, 1999 (Act No. 1 of 1999).

The following policy texts contain the policy mandates of the DPWI, PMTE and public works entities:
- 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 (BBBEE) Strategy, 2006;
- Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007;
- Green Building Framework, 2011.

It must be emphasized that the department is not directly involved in service delivery. It

[2] Section 5(1) (a) to (f) of the Money Bills Amendment Procedure and Related Matters Act (2009).
[3] See the effects of this as part of the legal mandate of the DPWI below that provides an analysis of the alignment of the Strategic Plan, Annual Performance Plan (APP) and the Annual Reports (AR).

provides accommodation and maintenance services to service delivery departments. It further provides professional built environment, construction, project management, and facilities management services to client departments. It is an important role player in infrastructure projects and assists local government with integrated spatial development framework planning processes. It plays a standard setting and regulatory role that assists client departments that directly provide services to the public. The assessment the use of allocated budgetary resources gives an important view into how the contribution of each citizen to the fiscus is used to improve the lives of all citizens of the country.

The oversight function

The committee does oversight over the executive authority (the Minister[4]). The PFMA makes a distinction between the functions of the executive authority or political head of a department (Cabinet Minister) and the head official or accounting officer[5]. The executive authority "is responsible for policy matters and outcomes; this includes seeking Parliamentary… approval and adoption of the department's budget vote. The head official (Director-General (DG)… is responsible for outputs and implementation, and is accountable to Parliament … for the management of the implementation of the budget."[6] The accounting officer must report to parliament on how the department uses the budgetary allocation to translate policy into implementable programmes. The DG reports to different levels of oversight to whom he or she is accountable.

Levels of oversight

The Office of the Minister[7] functions as the first level of oversight over the administrative responsibility of the DG. This committee (PC on PWI) functions as the second level of oversight, while the Auditor-General of South Africa (AGSA) functions as the third level of oversight. The committee utilises the expertise of the AGSA to deliberate on further matters that may need attention as part of its oversight function.

Components of the oversight focus

The committee's oversight focus is firstly on how the executive authority functions as policy leader. That is, whether, and how the Minister directed the DG and the administration to research, review, and draft policy and regulation that may be required to give effect to the public works mandate.

The second oversight focus is on how policy needs were translated into programmes. This is often as described in the Annual Performance Plan (APP) and five-year Strategic Plan (SP) of the department and the entities. The APP includes predetermined objectives described as performance targets with key performance indicators (KPIs) to be reached within stipulated time frames that assists to keep a check on whether targets were reached.

The third focus is on whether and how the Minister guided the DG and the administration to develop uniform standards for implementation, and regulated the implementation of these standards across the public works sector. It is further important to keep a check on how (as first level of oversight) the Minister, through in-year reports, monitored compliance to the Public Finance Management Act (PFMA) and the legislative framework. This aspect is important to ensure that the department uses the allocated budget for the financial year efficiently with as little fruitless and wasteful expenditure as possible, in order to achieve a clean audit of the implementation of public works programmes through which policy is implemented.

In short, the committee keeps the Minister as the leader of the sector responsible for the use of budgetary and human resources to ensure optimal performance of the DG and the administrative team.

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[4] Section 1(a) of the Public Finance Management Act (PFMA) (Act 1 of 1999 as amended by Act 29 of 1999).

[5] S1 and S36 of the PFMA.

[6] Explanatory memorandum on the Act, Division of Responsibility, PFMA.

[7] Ministerial advisors, support staff, in combination with the Deputy Minister and support staff, is the Office of the Minister.

2. EVIDENCE THAT THE COMMITTEE USED

In performing its oversight duty, and following the procedure as set out in the Money Bills Amendment Procedure and Related Matters Act (2009) to assess the department's performance, the committee used the following evidence:

1. The Department's five-year Strategic Plan (2020-2025), and the Annual Performance Plan. Note that we are approaching the middle of this five-year term this is the middle of the five-year term, and expect a review of this plan soon.
2. The quarterly performance reports on the 1st, 2nd and third quarter of this financial year as per Section 32 of the Public Finance Management Act (PFMA);
3. The oversight events of the committee during the period under review. This includes the deliberations that took place during October 2020 on the presentations on the quarterly performance reports. During November 2020 further meetings took place on low expenditure rates on compensation of employees and the growing debt of the Property Management and Trading Entity (PMTE), and on the audited Annual Financial Statements (AFS) in the Annual Report.

This report records the analysis of this committee as set out in the introduction of this report, in compliance with section 5(1)(a) to (f) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009).

To give effect to its mandated responsibility to analyse and assess the performance of the department, the committee first assessed the planning documents of the department and the PMTE.

3. ALIGNMENT OF THE LEGAL MANDATE, AND PLANNED INITIATIVES AS STATED IN THE DEPARTMENT'S PLANNING DOCUMENTS

3.1. Alignment of the Strategic Plan, Annual Performance Plan (APP) and the Annual Reports (ARs)

This sub-section provides an analysis of the effects of the planning documents that includes the infrastructure component into the mandate of the department and renaming it from the Department of Public Works to the Department of Public Works and Infrastructure (thus from DPW to DPWI).

On 20 June 2019, the President announced, "infrastructure was a critical area of investment that supported structural transformation, growth and job creation". He reminded the country that in 2012 the National Development Plan (NDP) was adopted as "the guide to our national effort to defeat poverty, unemployment and inequality."[8] He stated that with 10 years to go before the year 2030 when most of the NDP targets[9] were to be reached, progress have been too slow and that we had to take "extraordinary measures, (to) realise Vision 2030"[10].

Some of the key challenges that slowed infrastructure development down, had been identified as fragmentation in the management of infrastructure projects between the national, provincial and municipal levels of government. Already in 2011, the Presidential Infrastructure Coordinating Commission (PICC) was established to address the problem of fragmentation between the different levels of government. Another measure to address the identified problems, was to reconfigure the Department of Public Works to include an infrastructure component. The importance of the infrastructure component was signalled in the renaming of

[8] Ibid.

[9] Note that these targets are referred to as Sustainable Development Goals (SDGs) listed in "The 2030 Agenda for Sustainable Development", adopted by all United Nations Member States in 2015.

[10] Ibid.

the department to the Department of Public Works and Infrastructure (DPWI)[11].

3.2. The DPWI is the lead coordinating department in the infrastructure sector
Infrastructure development as a component was transferred to the DPWI because it was the lead department for the construction, maintenance, accommodation, and social infrastructure facilitation and project management function across the three levels of government. This status as lead department is stated in the mandated function[12] of the department to:
Provide policy formulation for, as well as coordination, regulation and oversight of the public works, professional built environment, and construction sector; this makes the national DPWI the coordinator and regulator of the accommodation of government departments that simultaneously plays a leading role in the land and infrastructure needs of national departments.
Enhance intergovernmental relations by coordinating concurrent public works functions as set out in schedule 4 of the Constitution.
Lead and direct the implementation of the national Expanded Public Works Programme (EPWP) by national and provincial departments and municipalities.
Promote growth, job creation and transformation in the construction, property, and professional built environment related industries.
This announcement signalled that the role of the Minister as executive authority[13] (EA) would henceforth include functions described in the Infrastructure Development Act (IDA) (23 of 2014).
At a first reading, this might mean that the infrastructure component would have the public works EA serve on the Presidential Infrastructure Coordinating Commission (PICC) to assist with the coordination and oversight of the fragmented systems of public infrastructure development across the national, provincial and municipal government levels. If so, it would mean that the following three additional functions were added to the public works mandate:

- The coordinating responsibility for all public infrastructure development in the country.
- The Secretariat function of the PICC.
- The Infrastructure Delivery Management System (IDMS) (a system of processes with gateways to manage portfolio, programme, operations, maintenance, and project management to plan and implement infrastructure assets for public service delivery across the three levels of government).

The Strategic Plan (SP) 2020-2025, and the Annual Performance Plan (APP) for the financial year 2020/2021 indicated that the DPWI would play a more impactful role “alongside the Infrastructure Investment Office in the Presidency (“IIO”), (*sic*) to structure the country’s Infrastructure-led Economic Growth under a single point of entry where the overall National Infrastructure Plan for South Africa is defined and the pipeline of bankable projects are focused within a new methodology.”[14]
The planning documents revealed that the President’s announcement in June 2020 “proclaimed that the department had to assume the infrastructure coordination responsibility to integrate and accelerate all public infrastructure development, as well as setting the long-term vision for infrastructure delivery across the sector.”[15]
Prior to summarising the analysis of the usefulness of planning documents for this first year of the sixth administration, it is important to list matters of concern on this department’s

[11] Government Gazette no. 42657, Proclamation no. 49 of 2019, dated 23 August 2019.
[12] The Constitution (1996), Schedule 4 describes the concurrent mandate of the national department; the Government Immovable Management Act (GIAMA) (no. 19 of 2007) describes its mandated functions as immovable asset manager of national and provincial government.
[13] Public Finance Management Act, (No. 1 of 1999), Chapter 1, under definitions, defines the EA as follows “in relation to a national department, means the Cabinet member who is accountable to Parliament for that department;”
[14] DPWI SP 2020-2025 and APP 2020/2021, pp. 9 and 10.
[15] DPWI APP 2020/2021, p. 62

performance that remained problematic throughout the past five years (2014-2019); during the current year, the committee's assessment will keep checking on these matters.

3.3. Challenges that continue to weaken the department and PMTE
These challenges were consistent in the department and the PMTE during each financial year during the fifth administration from 2014-2019. While the Governance, Risk, and Compliance branch brought some improvements, most of these continue to feature in this 2020-2021 financial year report:
3.3.1. The Immovable Asset Register was incomplete.
The PMTE could not confirm a complete, accurate and valid recording of the following items on its accounts:

(a) Receivables for departmental revenue and lease commitments for operating lease revenue (properties being rented out by the department) and municipal rates and taxes expenditure.

(b) Planned maintenance expenditure was being offset against revenue at PMTE. It did not have an effective system with which to capitalise qualifying expenditure to immovable assets at the department.

3.3.2. Leasing: There was a lack of reconciliations in lease management. Inaccuracies existed between what was recorded on the Property Management Information System (PMIS) and actual lease agreements with client departments.
3.3.3. Supply Chain Management (SCM): A lack of compliance with legislation and regulations guiding SCM that resulted in Irregular Expenditure. Expenditure was incurred that could have been avoided resulting in Fruitless and Wasteful Expenditure. No proper system existed to detect and disclose this in the Annual Financial System (AFS). There was a lack of action against transgressions and no consequence management was possible. A climate existed within which corrupt activities could thrive.

3.3.4. A system of record keeping: A lack of a proper record retention and filing system resulted in internal and external auditing functions being severely limited. Oversight was severely curtailed.

3.3.5. Commitments: There was a lack of sufficient evidence on how contract price adjustment provisions were calculated by consultants.

3.3.6. There was an inadequate compilation and review process of the AFS that resulted in material adjustments to AFS having to be submitted for audits in subsequent financial years.

3.3.7. The PMTE: A lack of a proper accrual accounting system. A lack of capacity of skills to perform accrual accounting resulted in audit qualifications at the PMTE in subsequent financial years.

3.3.8. The business case of the PMTE remained incomplete.

3.3.9. Material underspending: Immovable asset management impacted negatively on the department's mandate to assist client departments to perform their service delivery mandates. Underspending of budget allocations to the EPWP continued to occur - albeit due to under-reporting by provincial departments and municipalities.

3.3.10. Predetermined objectives: A lack of understanding of the Framework for Managing Programme Performance Information (FMPPI) requirements resulting in strategic plans not conforming to the "SMART" principles. A lack of policies and procedures for recording and evidence keeping of actual achievements (especially of concern for the EPWP). During the 2018/19 there was a slight improvement in this regard, but it had to be consistently improved for improved audit opinions in the future. In each financial year, including the current one under review, material misstatements were found that had to be corrected. Fortunately, the acting Director-General had a system in place that ensured that corrections were made in time to the satisfaction of the AG.

3.3.11. Compliance: Inadequate compliance with the PFMA meant that the SCM monitoring systems and processes were weak. There has been a lack of action against transgressors as the systems for consequence management was weak. Notice that in the year under review, the AG raised this again as a serious problem. The reason is that if incidences related to amounts of irregular and fruitless and wasteful expenditures of previous years do not lead to investigations to verify these, then they cannot be condoned. If they are not condoned, the amounts add up from one year to the next and increases. I addition to this, as it adds to the incidences of non-compliance to the PFMA and Treasury regulations. Finally, condonement requires investigations to identify responsible officials and service providers. If investigations are not done, then consequences are not followed through, amounts lost are not recovered and the guilty do not face the law. This sustains a climate of non-compliance, within which risk grows and trust breaks down.

3.3.12. **Risk assessment**: In spite of improvements in this regard due to the creation of a Governance Risk and Compliance Branch, inadequate risk assessment, mitigation and monitoring processes remained inconsistent across every programme and sub-programme of the department – the decentralisation of PMTE functions across eleven regional offices complicates operations, reconciliations and consequence management.

3.4. Positive Effects of the Turnaround Strategy 2011-2019

It is important to note the vast improvements brought about by the turnaround strategy that was initiated in 2011. The review of the financial and legislative compliance during the final years of the previous administrative term, as well as the reports of the AGSA, showed the effect of the turnaround strategy that addressed the challenges listed above.

Since the Turnaround Strategy, two features of the department and PMTE emerges:

3.4.1. The Operationalisation of the PMTE: Materially, the challenges that were characteristic of the internal operations of the department were shifted to the PMTE. This brought immediate enhancements and improvements to the audit outcomes of the department itself.

3.4.2. Marked improvements across both the DPWI and PMTE. However, specific matters related to the Key Performance Indicator of Programme 3, EPWP, related to its functions of coordination and verification of data remained. At the PMTE, the information contained in the Immovable Assets Register (IAR) remained a difficult obstacle to overcome.

3.4.3. The creation of the Governance Risk and Compliance branch that assisted, through proactive work, to improve the fight against malpractice, and weak compliance with the PFMA and Treasury regulations. The GRC also collaborated with the Special Investigation Unit (SIU) to deal with several instances of corruption and malpractice, and preliminary work to get further investigations formalised.

In summary, the planning documents provided detail on efforts to support client departments across the three spheres of government. Yet, matters needed to be concretely addressed to sort out problems with how KPIs were stated, and how in-year reporting that assists with financial management control, is complied with as per the PFMA. Also note that the analysis of the effect of the infrastructure component on the DPWI and the PMTE will be dealt with in the reporting period of the following financial year 2020-2021.

The report now turns to matters that emerged in the quarterly performance reports that the committee considered for the first and second quarter (21 November 2019), and the third quarter (4 March 2020).

4. THE QUARTERLY PERFORMANCE OF THE DPWI AND PMTE DURING 2020-2021

The following matters on quarterly performance were raised by the committee in quarterly performance deliberations:

4.1. This lack of the legislation that establishes the public works and infrastructure mandate strongly as the coordinating department of government that acts as landlord, accommodator, and policy leader and regulator of the construction and built environment professions of the country needs urgent attention. This leads to weaknesses and growing distrust in the function of this department.

4.2. The challenges stated in Programme 1: Corporate Services, related to the implementation of the Enterprise Resource Plan (ERP) is a serious one. During the fifth administration, the

ERP was reported as the solution to complexities that caused most of the audit challenges that the AG reported within the PMTE and the EPWP. The fact that this roll out continued to be delayed from the first financial year (2019/20) of the sixth administration to the third year (2020/21) is a serious concern.

4.3. Continued delays of the ERP impacts several aspects of the Shared Services between the DPWI and the PMTE. It also adds to the difficulty to get a clean audit opinion from the Office of the Auditor-General. Matters of emphasis continue to refer to material irregularities, lack of evidence, consequence management and procedures to retrieve losses incurred through irregular expenditure and fruitless and wasteful expenditure. An incomplete rollout of the ERP affects a fully functional risk compliant SCM, and general financial administration and management. The rollout will strengthen the registry services (required to manage the Immovable Asset Register) and construction project management in the PMTE. It will also strengthen the recording, verification, and reporting of employment opportunities that falls within Programme 3, EPWP. Without a fully rolled out ARCHIBUS, Programme 5: Real Estate Information & Registry Services of the PMTE may continue to report a partially completed Immovable Asset Register (IAR). An incomplete IAR has knock-on effects on the capacity of Programme 2: Real Estate Investment Services of the PMTE to employ trading strategies to unlock the value of immovable assets.

4.4. The committee remains concerned that while the budget allocations are made the department is struggling to exercise consistent control in its reporting and accounting systems of how the budgets are used. The department explained that it was due to the incomplete renewal of information and communication technology (ICT) reporting systems[16]. The SAGE software roll out to ensure compliance and proper reporting in the shared supply chain management system of the department and the PMTE must now be fully implemented and reporting to the Minister and parliament must be done with confidence without uncertainties that lead to negative audit opinions.

4.5. The ARCHIBUS software also remains incomplete with even more funds required to train staff so that government's Immovable Asset Register is properly managed. The committee notes progress in establishing a credible, legally and financially compliant Immovable Asset Register, but worries that the progress is too slow.

The delays to properly roll out ARCHIBUS further prevents the PMTE to unlock the value of the state's immovable assets. So, its name says trading, but it is not trading yet as it struggles with colleting debt.

4.6. The PMTE struggles to look after and maintain government buildings. The maintenance of the entire property portfolio of government was not adequately funded. This leads to a backlog with the repair and refurbishment of utilized state buildings and the security of vacant immovable assets. If this continues much longer, it may be near impossible to get the condition of government buildings to an acceptable level to operate a sustainable business.

4.7. The department and entities are not doing well with retaining staff and employing property specialists and build environment professionals. It shows a high rate of under-expenditure on compensation for employees and branches from one financial quarter to the next. To correct this in time for the annual report, this matter required attention.

4.8. Over the last three years an unacceptable number of cases were heard at the Commission for Conciliation, Mediation and Arbitration (CCMA) and the Public Service Co-ordinating Bargaining Council (PSCBC). In a high number of these, the contracts of employees were found to have been ended unprocedurally by the department. One ongoing case emerges from instability of the IDT Board that led to a previous Board bringing the contracts of all workers to an end. The Minister engaged with the Board and provided policy leadership that all contracts had to be renewed. Unfortunately, in spite of this guidance the contracts of six, mostly female workers were not extended. This matter required urgent attention that could be resolved if the Minister's guidance was followed.

[16] This refers to the Enterprise Resource Plan (ERP) that consists of the SAGE accounting software and the ARCHIBUS property management software. The renewal of the EPWP Reporting System (EPWP RS) also require attention as part of the ERP.

4.9. In addition, there are cases where the PSCBC ordered that where contracts within the DPWI were irregularly ended, outstanding salaries, had to be paid and the staff had to be reinstated. Instead the DPWI adopted a lethargic stance, approached the Labour Court to review the decisions of the PSCBC and was spending even more state money.
4.10. The plan to get the IDT reconfigured remains incomplete. This is the only social infrastructure development entity that we have, and it must be reconfigured as soon as possible. If not, it increases the plight of our people. It is contrary to the Economic and Reconstruction Plan. It is against the ethos of the NDP, it is against the spirit of the Constitution.

5. ANALYSIS OF THE BUDGET AND ANNUAL FINANCIAL STATEMENTS

Section 5 provides an analysis of amounts appropriated per programme for the main vote; the rate of predetermined targets achieved, and human resources assigned to the department and the PMTE.
The table below shows under-expenditure and reasons for it. It also shows longstanding underperformance in Programme 4 that has a knock-on effect on the performance of the department and the PMTE. The human resource allocation reveals a key challenge regarding instability in leadership positions in the department and the PMTE.

5.1. Budget under review for the DPWI

Appropriation, Actual Expenditure and Underspending[17]

2020/21					
	Final Appropriation	**Actual Expenditure**	**Variance**	**Expenditure as %**	**Final Appropriation**
Administration	456 902	384 339	72 563	84.1%	511 013
IGC[18]	58 219	42 296	15 923	72.6%	56 386
EPWP[19]	2 468 846	2 412 105	56 741	97.7%	2 680 814
PCIPR[20]	4 676 490	4 643 784	32 706	99.3%	4 538 905
Prestige	63 922	48 510	15 412	75.9%	119 927
Totals	**7 724 379**	**7 531 034**	**193 345**	**97.5%**	**7 907 045**

Source: National Treasury (2021)

Departmental spending for the period under review is R7,531 billion which is 97.5% of the adjusted budget of R7,724 billion.

5.1.2. Underspending per programme

Under spending of R193 million is mainly due to the matter that this committee raised in all its previous reports; that is, that of compensation of employees, goods and services, transfers and subsidies and machinery and equipment. In this year's Budget Vote report, we made the point that this under-expenditure cannot be explained as simply due to the slow-down of the economy caused by the lockdown due to the Covid-19 spreading through the country from early 2020. This alone does not hold water. This trend of slow or non-spending in fact started prior to the pandemic set in; the slowdown of the economy really cemented it as another unfortunate feature that characterises this department and the PMTE.

[17] All figures in the analyses are from National Treasury (2021), p. 201.
[18] Intergovernmental Coordination
[19] Expanded Public Works Programme
[20] Property and Construction Industry Policy and Research

Detailed explanations given by the department of underspending per programme is as below

Programme 1: Administration

The under spending of R72,6 million in Programme 1 relate to:

- Compensation of employees under spending of R27,5 million is mainly due to the delay in filling vacant positions and non-implementation of the projected annual salary adjustment.
- Goods and services under spending of R40,1 million is mainly due to restrictions on normal operations during nation-wide lockdown which affected spending on planned activities relating to travel and subsistence, communication, property payments, operating leases, venues and facilities and training and development.
- Machinery and equipment under spending of R5 million is due to a delay in the planned acquisition of assets resulting from unfilled vacant positions.

Programme 2: Intergovernmental Coordination

The under spending of R15,9 million in Programme 2 relate to:

- Compensation of employees under spending of R5,2 million is mainly due to the delay in fillingvacant positions and non-implementation of the projected annual salary adjustment.
- Goods and services under spending of R10,6 million mainly due postponement andcancellation of planned activities resulting from the restrictions during nation-wide lockdown.
- Machinery and equipment under spending of R158 000 is due to a delay in the plannedacquisition of assets resulting from unfilled vacant positions.

Programme 3: Expanded Public Works Programme

The under spending of R56,7 million in Programme 3 relate to:

- Compensation of employees under spending of R22,9 million is mainly due to the delay in filling vacant positions and non-implementation of the projected annual salary adjustment.
- Goods and services under spending of R31,5 million is mainly due to restrictions on normal operations during nation-wide lockdown which affected spending on planned activities relating to administrative fees, agency and outsourced services, travel and subsistence as wellas venues and facilities.
- Transfers and subsidies underspending of R1,8 million due to transfer payments for EPWP Integrated Grant to Provinces and EPWP Social Sector Incentive Grant that were withheld dueto non-compliance to the Division of Revenue Act (DoRA) conditions.
- Machinery and equipment under spending of R514 000 is due to a delay in the planned acquisition of assets resulting from unfilled vacant positions.

Programme 4: Property and Construction Industry Policy and Research

The under spending of R32,7 million in Programme 4 relate to:

- Compensation of employees under spending of R15.4 million is mainly due to the delay infilling vacant positions and non-implementation of the projected annual salary adjustment.
- Goods and services under spending of R17,2 million mainly due postponement andcancellation of planned activities resulting from the restrictions during nation-wide lockdown.
- Machinery and equipment under spending of R64 000 is due to a delay in the plannedacquisition of assets resulting from unfilled vacant positions.

Programme 5: Prestige Policy

The under spending of R15,4 million in Programme 4 relate to:

- R1,2 million Compensation of Employees due to the delay in advertising and filling ofvacant positions in line with the identified priority positions.
- Goods and services under spending of R12,7 million is mainly due mainly due to nation-wide lockdown regulations affecting planned activities for state functions (National Orders, State Funerals, State visits)
- Machinery and equipment under spending of R2,6 million is due to a delay in the planned acquisition of assets.

5.1.3. Unauthorised Expenditure
The department further reported that no unauthorised expenditure was incurred in the period under review. The amounts below are from previous years (2017/18); the matter remains as reported to the committee in the previous financial year. This means that there has been no compliance with the PFMA and Treasury Regulations that guides that it must be dealt with and was not processed satisfactorily. The report for the total cumulative unauthorised expenditure of R261,2 million was submitted to the National Treasury to be considered for the condonement by Parliament.
Note 33 of the Annual Financial Statement for this financial year details this unauthorised expenditure as follows:

- R174,1 million - Unauthorised expenditure under capital expenditure incurred towards building of schools, which is a provincial competency.
- R3,9 million - Unauthorised expenditure on capital assets procured for schools.
- R67,1 million – Overspending on Compensation of Employees.
- R13,6 million – Overspending on Goods and Services.
- R2,3 million – Overspending on Transfers and Subsidies.

5.1.4. Irregular Expenditure
Irregular expenditure incurred in current financial year includes an amount of R4, 76 million that relates to officials whose appointments were found to be irregular after an investigation by the Public Service Commission (PSC) in prior years. The matter is currently before the court and while disciplinary actions have been instituted against officials who served in the panels that eventually recommended their appointments. The amount cannot be condoned or otherwise as the PSC report is being challenged in the High Court by the implicated officials. The remaining amount of R494 thousand relates to an incident where services were performed outside the contract period.
Furthermore, an amount of R19, 7 million was discovered in prior year by the audit team relating to a contract for state events where varying pricing schedules/ quantities of required items and other matters were identified. Management is in the process of investigating all expenditure incurred relating to State Events, not only on this contract, but on all state events contracts in order to determine the full extent of the irregularities. Furthermore, an amount of R825 000 relating to this contract was further raised as material irregularity by the audit team for which the Accounting Officer needed to attend to it in terms of Material Irregularity Regulations. Should further irregularities be found in other contracts, the necessary disclosures will be made once management has completed the determination procedures
An amount of R53 000 relating to local production and content was raised by AGSA which has not yet been assessed by management. The necessary disclosures will be made once management has completed the necessary assessment and determination procedures.
The irregular appointment of officials arose in the prior years after an investigation by the Public Service Commission (PSC). The expenditure reflected herein relate to those officials that still occupy their positions, however some officials whose expenditure was included in the previous financial year have since left the department, hence the decrease in this amount compared to the previous financial year. Furthermore, the amount of R494 000 relates to a payment for services received by the Department after the contract had expired.
The amount R699 000 relates to a state event on behalf of client department that had taken place in the previous financial year. During the assessment process, it was found that there was avariation in the scope of services which was not approved by National Treasury. The

matter was validated and referred to Labour Relations to implement disciplinary proceedings against the responsible official which was subsequently finalized. The matter is due to follow the relevant procedures to request for condonation in line with National Treasury's Irregular Expenditure Framework.

5.1.5. Fruitless and Wasteful Expenditure

Note that the matter related to R1,5 million here reported under 'Arbitration Awards' are being internally assessed by management. This amount relates to officials who were not re-appointed after the fifth administration. These officials approached the Public Service Coordinating Bargaining Council (PSCBC) to look into the manner in which their contracts were severed. In at least one case, the PSCBA made a finding in favour of the official as the severance of contract was irregularly processed. The finding was that the department should pay the amount of R1.5 million as the annual salary to the official. The challenge is that this amount may continue to grow as the finding was that the official had to be reinstated.

The internal assessment by the department includes verifying whether the amount should be declared fruitless and wasteful, and which officials should be held liable for the error so that money could be recovered from them. There is a possibility of conflict if management officials who processed the severance of contract in an irregular manner, are investigating themselves to determine whether or not, and for what amounts they may be liable for in this matter.

In addition, the aim of the assessment also seems related to a reluctance to abide by the finding of the PSCBC and reinstate the official, and instead collect material evidence to take the matter on review to the Labour Court. This may amount to merely wasting time and in an over expenditure of tax payer money on a single case that should simply be resolved by acting as per the finding of the PSCBC.

6. HUMAN RESOURCE ALLOCATIONS (DPWI)

The DPWI filled 730 individuals out of 856 posts. This includes 88 additional appointments to the approved organizational structure. Personnel expenditure as a percentage of total expenditure stood at 99.3% in the period under review. A staff turnover of 7,70 % was maintained during the period under review.

6.1. Employment and Vacancies per Programme for 2020/21

Programme	**Total Voted Exp (R'000)**	**CoE Exp (R'000)**	**CoE % of Total Exp**	**Ave CoE Cost per Employee (R'000)**	**Employmt (Including periodic appointmt, etc.)**
Administration	384 341	254 676	66,30	563	452
EPWP	2 412 105	160 066	6,60	527	304
IGC	42 291	33 206	78,50	977	34
Prestige	48 511	29 143	60,10	788	37
Property, Construction Industry Policy & Research	4 645 770	10 326	0,20	616	17
Total as on Financial Systems (BAS)	**7 533 024**	**487 417**	**6,50**	**578**	**844**

Source: Department of Public Works and Infrastructure Annual Report (2021)

6.2. Employment and vacancies by programme

Programme	No of posts	No of Posts filled	No of Posts vacant	Vacancy Rate %	Number of Posts Filled Additional to Establishmt
Administration	492	445	47	9,60	78
EPWP	222	199	23	10,40	2
IGC	41	34	7	17,10	5
Prestige	40	37	3	7,50	0
Property and Construction Industry Policy & Research	61	15	46	75,40	3
Total	**856**	**730**	**126**	**14,70**	**88**

Source: Department of Public Works and Infrastructure Annual Report (2021)

6.3. Instability of leadership positions in DPWI and PMTE

The serious challenge of stability of leadership is evident at top management level where, of the eight positions (including the Director-General), only three are filled. Five leadership positions of the department remain filled by personnel that are appointed in acting capacities. These positions include:

- Director-General.
- DDG: Supply Chain Management.
- DDG: Inter-Governmental Relations
- DDG: Policy, Research and Regulations.
- DDG: EPWP.

Heads of key programmes in the PMTE, that is, *Head of Real Estate Management Services (REMS)* and *Chief Director: Financial Reporting*, also remain vacant.

7. THE PROPERTY MANAGEMENT TRADING ENTITY (PMTE)

7.1. Allocations to Programmes

Programme	R'000	Allocation as %
Administration	934 223	4%
Real Estate Investment Services	206 705	1%
Construction Project Management	4 977 810	22%
Real Estate Management Services	12 038 772	54%
Real Estate Information & Registry Services	106 580	0%
Facilities Management Services	4 174 205	19%
Total	**22 438 295**	**100%**

7.2. Overall expenditure for the PMTE

	2019/20	**2018/19**
	R'000	**R'000**
Budget allocation	22,438,295	20,951,372
Actual expenditure	20,880,140	19,566,229
Actual: spent budget %	**93%**	**93%**
(Over)/ underspending	1,558,155	1,385,143

Actual: budget (over)/ underspend %	**7%**	**7%**

7.3. Details of underspending per programme and economic classification follows:
The total expenditure for the period ended March 2020 was R 20.9b. This represents 93% of the total budget. This was mainly due to under-expenditure against *infrastructure projects* and *compensation of employees*. The expenditure level was below the level of performance of the previous year.

Programme 1: Administration
The under-expenditure on this programme was attributable to the low spending on compensation of employees due to the delay in the filling of vacancies. The other reason was due to the unspent funds which were reserved for the rolling out of the additional Video Conferencing facilities in the regions to cut down on cost of travelling. Tenders were advertised but could not be adjudicated before the end of the financial year. Funding allocated for procurement of laptops throughout this branch was not spent due to delays experienced by ICT with the SITA contract.

Programme 2: Real Estate Investment Services
The under-expenditure on this programme was attributable to the low spending on compensation of employees due to the delay in the filling of vacancies and due to funding that was allocated for the procurement of laptop which has not been utilized due to delays experienced by ICT with the SITA contract.

Programme 3: Construction Management Programme
The under-expenditure on this programme was attributable to the low spending on compensation of employees due to the delay in the filling of vacancies and due to funding that was allocated for the procurement of laptop which has not been utilized due to delays experienced by ICT with the SITA contract. The other reason 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 some of 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.

Programme 4: Real Estate Management Services
The under-expenditure on this programme was attributable to the low spending on compensation of employees due to the delay in the filling of vacancies.

7.4. PMTE Human Resources per programme:
The table below provides the final audited personnel related expenditure for the PMTE per programme:

Programme	**Total Voted Expenditure (R'000)**	**CoE Expenditure (R'000)**	**CoE as % of Total Expenditure**	**Ave CoE Cost per Employee (R'000)**	**Employment**
Administration	1 015	468 198	46,12	582	805

	191				
Construction Project Management	2 946 463	355 748	12,07	691	515
Facilities Management Services	3 283 181	675 039	20,56	217	3 108
Real Estate Information And Registry Services	59 999	56 182	93,64	502	112
Real Estate Investment Services	177 700	171 788	96,67	740	232
Real Estate Management Services	6 755 257	140 362	2,08	546	257
Total	**14 237 791**	**1 867 317**	**13,12**	**371**	**5 029**

The following table shows the post establishment posts filled, vacancies and posts filled above the establishment:

Programme	Number of Posts as p/Est	No of Posts Filled	Posts Vacant	Vacancy Rate %	No Posts Add to Est.
Administration	2 577	2 429	148	5,70	1 633
Construction Project Management	604	521	83	13,70	213
Facilities Management Services	2 715	2 387	328	12,10	150
Real Estate Information And Registry Services	110	102	8	7,30	51
Real Estate Investment Services	272	232	40	14,70	7
Real Estate Management Services	298	253	45	15,10	11
Total	**6 576**	**5 924**	**652**	**9,90**	**2 065**

8. The Audit Opinion on the Annual Financial Statements of the DPWI and PMTE from the Office of the Auditor-General

The department received an **Unqualified Audit Opinion** (with emphasis of matters and additional matters) from 2015/16 to the 2019/20 financial years.

In the current year under review, 2020/21, it received its sixth consecutive **Unqualified Audit Opinion** with emphasis of matter and additional matters.

8.1. Issues highlighted by the Auditor-General (AG):

The AG commended the accounting officer and senior management team for establishing a formal code of conduct that addresses appropriate ethical and moral behaviour.

The AG however, highlighted that instances of non-compliance resulted in material irregularities dating back to previous financial years continue to be unresolved and was being investigated. The DG remains under suspension and was undergoing disciplinary processes.

Key matters that require attention are as follows:

8.1.1. The usefulness and reliability of reported performance information in EPWP in the DPWI and Construction Project Management (CPM) in the PMTE:

Programme 3 EPWP, the AG could not find sufficient supporting evidence or audited evidence for the performance reported against listed performance indicators. These are the indicators referring to the number of work opportunities reported in the EPWP-RS by public bodies, that was reported as 938 688; and the indicator referring to EPWP participation amongst designated groups being women, youth and people with disabilities reported on the EPWP-RS, that was reported as respectively, 69%, 42% and 0,98. The AG reported this on p. 157 of the Annual Report under the heading *Report on the audit of the financial statements* as “due to a lack of accurate and complete records”. In the engagements on quarterly performance reports, the budget vote report, and the previous year’s BRRR, this committee referred to the negative impact of the incomplete rollout of the Enterprise Resource Plan (ERP) that had to include further improvements the EPWP Reporting System (EPWP-RS) that would have assisted with accurate and complete record keeping. We refer to the importance to complete the roll out of Sage and Archibus and the overhaul of the EPWP-RS to eradicate these problems from past years.

CPM managed within the PMTE showed similar challenges where in the annual report, it reported the achievement of 103 infrastructure projects completed against planned annual target of 84 infrastructure projects. The problem was that the AG found that the supporting evidence provided, did not show that this target was achieved as reported. Again, this can be viewed as being due to the lack of a consistent record keeping system such as ARCHIBUS that would have been implemented if all the modules of the ERP was fully rolled out.

The AG assisted the PMTE and CPM to adjust these material misstatements in its annual performance report and because of the corrections, it resulted in the material findings being a matter of emphasised in this report.

8.1.2. Expenditure Management:

This relates to matters referred to above under irregular expenditure (R 5,2 million) and fruitless and wasteful expenditure (R825 832 and R9,1 million) that is also to be dealt with under consequence management below.

The matter related to the irregular appointment of public officials investigated by the Public Service Commission caused irregular expenditure amounting to R5,2 million.

The AG highlighted that as per section 38 of the PFMA and NT regulation 9.1.1., effective steps were not taken to prevent such expenditure.

The AG stressed the need for effective internal controls to be in place for approval and processing of payments to prevent such irregular expenditure.

8.1.3. Consequence Management:

The AG emphasised that sufficient steps were not taken to identify and act appropriately against officials who incurred irregular and wasteful expenditure.

The losses that were incurred due to the actions of these officials were not recovered – this is in reference to both the irregular appointment of officials as per the investigation of the PSC and the irregular expenditure on state funerals in 2018[21].

Prices that were quoted on the pricing schedules that was submitted by the supplier during tendering for some of these state funerals were different from what was paid. This resulted in material loss of R825 832. This was again due to *a lack of internal control measures* that did not identify neither prevented this occurring.

The AG reported that the accounting Officer was notified of the material irregularities on 3 September 2020 in this regard. The appropriate actions in response to such notification had to be for expenditure into state events to be investigated, the financial loss to be quantified, the responsible officials to be identified, and a process to be initiated to recover the financial loss. The Accounting Officer responded to the notice after a protracted period on 7 May 2021. The AG pointed out that this was not done within a reasonable enough time to prevent loss, identify culpable officials, and to recover the loss. Actions amounting to effective consequence

[21] From February 2018 to early 2020, state funerals were held for 15 high profile South African citizens. The DPWI is responsible for the cost of such events through its Prestige Programme.

management should be more urgent with consequence management systems in place to act, identify, quantify, and recover.
It must be noted, however, that while the system may be lethargic, actions were taken to deal with the matter and the Acting Accounting Office, and Executive Authority and senior management team must be commended for this; however, it must result in consequences.

9. MATTERS THAT EMERGED RELATED TO THE ANNUAL REPORTS OF THE ENTITIES REPORTING TO THE MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

9.1. AGRÉMENT SOUTH AFRICA

9.1.1. Background

Agrément South Africa was established in terms of a delegation of Authority from the then Minister of Public Works in July 1969. The organisation is currently a schedule 3A public entity under the Public Finance Management Act No. 11 of 1999 and is established under the Agrément South Africa Act No 11 of 2015.
The organisation is an entity of the DPWI and its mandate is within the domain of the built environment and as such, the legislation and mandates that impact on the built environment and public works guide the functioning and operations of Agrément South Africa. There are several sections of legislation which deal with, or have an impact upon, certification of innovative and non-standard construction products for infrastructure development. In this regard the following legislative and other mandates must be noted.
Agrément SA requirements for innovative building material and systems are as follows:

- Make rules, determine the processes, procedures and forms for, and relating to the issuing, amendment, suspension, reinstatement, withdrawal, or renewal of an ASA Certificate;
- Issue a certificate in the prescribed form, if it is satisfied that a non- standardized Construction related product or system is fit-for-purpose, subject to the payment of the required fees;
- Monitor such certificates and manage the renewal of allcertificates; and
- Establish and maintain a public register of the applications rejected and certificates issued, amended, suspended, reinstated, withdrawn and renewed.

9.1.2. Key matters to note for the year under review

In this financial year, the ASA had to cut its operational budget by 25%. This was requested by the Executive Authority to use for the Covid-19 solidarity fund. It had an adverse effect on planned activities that had to be postpone. These activities included amongst others, the much needed marketing and awareness campaign that this committee insisted in previous BRR reports, had to be undertaken. In addition, the 25% cut caused to ASA end the financial year with the budget deficit as indicated in the table.
In spite of the above, the entity remains in a healthy state as a going concern - at the end of the financial year, ASA had accumulated a surplus of R15 375 431 and its total liabilities exceeded its assets by R19 802 272.
The annual financial statement of the ASA was prepared on the basis of accounting policies applicable to a going concern that presumes that the settlement of liabilities, obligations and commitments will happen in the ordinary course of business.
The Executive Authority of the DPWI continue to indicate in the MTEF that it would make grant funding to the amount of R33 078 000 available.

9.2. THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (cidb)

9.2.1. Background and mandate

The cidb is a Schedule 3A public entity established by the Construction Industry Development Board Act (No. 38 of 2000). The cidb is responsible for providing leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector, for effective delivery and the industry's enhanced role in the country's economy. In terms of the Public Finance Management Act, the Board of the cidb is the accounting authority, responsible to the Minister of Public Works. The board submits its Annual Performance Plan and budget to the executive authority.

The Mandate of the cidb is to:[22]
Provide strategic leadership to the construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector;
Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry;
Determine, establish, promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process;
Promote uniform application of policy throughout all spheres of government and promote uniform and ethical standards, construction procurement reform, and improved procurement delivery management – including a code of conduct;
Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the registration of projects and contractors.

9.2.2. The erosive effect of Covid-19 on cidb and the construction industry
The pandemic hit the construction industry particularly hard with especially emerging contractors registered at the lower ends of the construction register struggling to survive. Due to this, the construction economy slowdown threatened capital budgets with projects consistently underspent; the cidb reported that by the end of the previous municipal financial year, underspending for projects was "around R28 billion with metros contributing R17 billion. During that year, 243 of the 257 municipalities spent less than 40% of their budgets" [23]. In the 2020 MTBPS National Treasury reported that the lockdown "resulted in a near-complete shutdown of the construction sector, which employs over 1 million people. Employment fell by 10.8 per cent in the first half of 2020 compared with the same period in 2019."[24] It continued to warn that "Uncertainty, low investment and electricity supply interruptions"[25] would continue to have an erosive effect on institutions and the effort to recover over the medium term.
While this dire economic climate had an adverse effect on the cidb's projected operations budget, the cidb nonetheless reported that it collected more than 90% of fees against budget. The cidb received a grant of R72 million (2019/2020: R76 million) which was transferred from the DPWI's Programme 4; R102 million (2019/2020: R95 million) in registration revenue, and R8 million in Other Income, to reach a total of R183 million (2019/2020: R190 million).

9.2.3. Revenue collected

	2020/2021			2019/2020		
Source	**Estimate**	**Actual Amount Collected**	**Over-(under-collection)**	**Budget**	**Actual Amount Collected**	**Over-(Under-collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Transfers	76 446	72 443	(4 003)	76 160	76 160	-
Register income	108 590	102 135	(6 455)	99 200	94 853	(4 347)
Finance income	9 285	7 937	(1 348)	8 831	18 026	9 195
Other income	-	309	309	-	801	801
Total	**194 321**	**182 823**	**(11 498)**	**184 191**	**189 841**	**5 650**

[22] CIDB Annual Report, 2020/21.
[23] Cidb Annual Report, 2020/21, p.15
[24] National Treasury, MTBPS, p. 19
[25] ibid

The entity received a grant of R72 442 640, while R102 134 652 was collected from construction registrations, and Other Income of R8 245 739 (2019/2020 that was restated as R18 815 610). Thus, the Total Income that the cidb brought in was R182 823 031.
Due to the unique circumstances that prevailed due to the Covid-19 pandemic, the cidb under-collected its total revenue in 2020/2021 by 6%. This was ascribed to the reduction in government grants, and interest rates reductions, which affected the finance income earned from short-term deposits, and the under-collection of registration income.

9.2.4. Performance and Budget

	2020/2021			2019/2020		
Programme/ Activity	**Budget**	**Actual Spent**	**Over/Under - expenditure**	**Budget**	**Actual Spent**	**Over/Under-expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Administration	86 556	95 712	9 156	90 075	102 694	12 619
Research and Development	7 000	1 542	(5 458)	-	-	-
Construction Industry Regulation	33 343	23 812	(9 531)	33 384	31 900	(1 484)
Construction Industry Performance	16 921	6 721	(10 200)	16 039	12 936	(3 103)
Procurement & Development	15 501	9 088	(6 413)	14 693	14 744	51
Provincial Offices	35 000	27 478	(7 522)	30 000	25 293	(4 707)
Total	**194 321**	**164 353**	**(29 968)**	**184 191**	**187 567**	**3 376**

In spite of the unpredictable circumstances, the cidb spent around 85% of its budget and succeeded to achieve 94% of the performance objectives stated in its 2020/2021 Annual Performance Plan.
The 15% funds that remained unspent were due to uncollected revenue of R11,4 million and funds that were planned to be used for furniture for the new head office. Funds will be channelled into capacitating and strengthening from the Research and Development Directorate established during the review year.
The title deed for the new head office of the was registered on 2 October 2020. The tender includes a refurbishment project to reflect the cidb brand and image, and ensure that the space meets business requirements, and complies with national building regulations and the Occupational Health and Safety Act 85 of 1993. As mentioned, due to unforeseen circumstances, the refurbishment started during the period under review, but could not be completed as planned; the budget for this component is carried forward to 2021/22 when it will be completed.
The cidb provincial offices are either leased (Pretoria, Bloemfontein and Mbombela) or provided by the provincial departments of public works and infrastructure.

9.3. THE COUNCIL FOR THE BUILT ENVIRONMENT (CBE)

9.3.1. Background

The Council for the Built Environment (CBE) is a schedule 3A entity established by the Council for the Built Environment Act (No. 43 of 2000). This entity is responsible for regulating the councils for the built environment professions of architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying. Together with these built environment professional councils (BEPCs), the CBE has the responsibility to "regulate those Built Environment Professions who conceptualise, design, build, maintain and transfer social and economic infrastructure"[26] for the South African communities. As such, the entity and the BEPCs play a pivotal role in the implementation of programmes that give effect to the basic rights that all South Africans deserve.

9.3.2. Legislative Mandate

The objectives of the CBE as per section 3 of the CBE Act, 2000 are to:[27]

- Promote and protect the interest of the public in the built environment.
- Promote and maintain a sustainable Built Environment and natural environment.
- Promote on-going human resources development in the Built Environment.
- Facilitate participation of the Built Environment Professions in integrated development in the context of national goals.
- Promote appropriate standards of health, safety and environmental protection in the Built Environment.
- Promote sound governance of the Built Environment Professions.
- Promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic.
- Serve as a forum where the Built Environment Professions can discuss relevant issues.
- Ensure uniform application of norms and guidelines set by the Professional Councils throughout the Built Environment.

9.3.3. Revenue collected

	2020/21			2019/20		
Source of Revenue	**Estimate**	**Actual Amount Collected**	**Over / Under Collection**	**Estimate**	**Actual Amount Collected**	**Over / Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Government grantfrom DPWI	48 813	48 813	-	52 796	52 796	-
Levies	-	2 075	(2 075)	2 363	2 110	253
Interest	445	481	(36)	810	921	(111)
Other operating income	469	730	(261)	4 781	4 416	365
Total	**49 727**	**52 099**	**(2 372)**	**60 750**	**60 243**	**507**

The total budgeted amount for the year was R49 727 million.
The government grant allocation of R48 813 million came from DPWI.
For this year the CBE provided a full discount on levies and did not receive CBEP levies (2019/20: R2 110 million).
Other sources of funding was the operating income of R730 000 and interest of R481 000.

9.3.4. Financial Information for 2020/2021

	2020/21			2019/20		
Programme Programme 1: Administration	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/ Under Expenditure**

[26] CBE Annual Report (2018/19).

[27] Ibid

	47 133	50 388	(3 255)	47 804	48 851	(1 047)
Programme 2: Transformation	186	49	137	11 505	10 684	821
Programme 3: Skills and Capacity Development	1 718	1 165	553	415	346	69
Programme 4: Research and Advisory	24	14	10	981	952	29
Programme 5: Regulation and Public Protection	666	652	14	45	37	8
Total	49 727	52 268	(2 541)	60 750	60 870	(120)
Assets (additions)		993	(993)	-	1 358	(1 358)
Total including assets(additions)	**49 727**	**53 261**	**(3 534)**	**60 750**	**62 228**	**(1 478)**

Expenditure
The total budget for the year was R49,7 million with R52,2 million actually spent.
The shortfall of R3,2 million in Programme 1 was not broken down in specific amounts and leads to an unfortunate opaqueness in reporting and was ascribed to various 'categories' reported without cost, as below:

- instability continues to exist in Council in the period under review - an amount has been set aside pending a matter in the Labour Court, reported here without the amount being stated, as a saving;
- meetings that had to take place to deal with the matter of the whistle-blower tipoff is reported as the reason for overspending on remuneration for Council;
- other emergency meetings to deal with the reprioritization of budgets, have been included in this costless 'category';
- the decision by Council to provide 100% relief of subscription fees to the CBEPs;
- delays in what Council described as the organizational and enhancement strategy projects that was reportedly delayed and postponed till the new financial year;
- prior-year committed funds were utilised for training, radio and TV interviews, and computer expenses (i.e. Unemployment database, Electronic Built Environment System), which resulted in the actual expenditure exceeding the budgeted expenditure.

Key challenges and remedial action:

- The slow growth in the core baseline funding and increased costs of compliance is an ongoing challenge, which is not sustainable without focused efforts. The increasing governance and compliance demands continue to precipitate unfunded additional investments in human capacity in the organization.
- **Programme 1:** annual target was not achieved. One hundred percent of the processes in the COBIT 5 Continuous Improvement Road Map were not implemented. The Information Communications Technology (ICT) Governance Framework was not approved due, more work was required on the framework developed, this will be finalized and be sent to Council for approval in the new financial year.
- **Programme 2:** annual target was not achieved. The Integrated Electronic Built Environment System (IEBES) was not implemented in the six CBEP. The engagements and agreement to integrate happened with four CBEP. The two remaining CBEP (ECSA and SACPCMP) are implementing independent systems that will be integrated with the

IEBES.

- **Programme 3** target was not achieved due to the final sign off of the knowledge management platform was not completed
- **Programmes 2 and 3** were not achieved. The workshop did not happen due to the Covid-19 Lockdown while the Covid Emergency Plan proposed Written Notes as an alternative to meetings and workshops; these notes were sent out to replace the workshop. No responses were received from the participants. It should be noted that the CBE was able to publish the scope of work (identification of work) for all the CBEP during this financial year. Competition Commission was engaged on several occasions to consult them on the scope of work of the six Councils.
- **Programme 4.4** target was not achieved. The final report on progress by the CBEP on the alignment of their policies with the Ministerial Approved Policy Frameworks was developed; however, it was not submitted to the Ministry.
- **Programme 4.5** target was not achieved. Due to the Covid-19 lockdown, the CBEPs cancelled their scheduled Council meetings for the approval of the strategic plan document. The CBE was therefore unable to submit Strategic Plans and APP of the CBEPs to DPWI. They have advised that the documents will be submitted in the first quarter of the new financial year.

9.4. The Independent Development Trust

In the BRRR of the previous financial year, we noted that the IDT could not table its 2019/20 Annual Report. What follows is the entity's report for the last financial year.

9.4.1 Policy changes caused governance and administrative instability

The Executive Authority stated the intention to dissolve the Trust and close the IDT as a public entity by the end of the 2020/21 financial year in the foreword to the 2020/21 - 2024/25 Strategic Plan and 2020/21 APP.

This policy statement had a severely negative impact on the organization's governance, administration and operational outlook. At the time of this stated intention, in the previous administration already, the organization made several presentations to Cabinet on its transformation and was in the midst of reconfiguring itself into government's prime social infrastructure delivery agency. The organizational proposals to transform the governance structure, included improvements to operational efficiencies, strategies to increase revenue and other related business processes.

The policy direction chartered by the Executive Authority thus rendered these processes irrelevant. It meant that a new focus towards the dissolution of the Trust had to be undertaken even if there was no alternative to replace the entity. The policy instability within which the entity finds itself captured is evident in a statement made in its 2019/20 annual report that as "a result, some of the progress reported herein may, in [the] light of further developments after the end of the reporting period be of no effect or relevance"[28].

This policy terrain of uncertainty has created instability of the Board that was not constituted properly, and could not quorate which made it difficult for the IDT administration to prepare an approved 2019/20 Annual Report in time for this committees 2019/20 BRRR. The entity has since been beset with challenges to get a functioning Board that would enable the administration to function optimally.

These instabilities led to a moratorium on the filling of vacancies and contracts of key administration staff were allowed to lapse. Most contracts were renewed after the committee alerted the Minister to the plight of families that were left destitute to the sudden loss of income; in spite of the renewal of contracts of the majority of IDT staff (after the Minister's directive to the Interim Board to renew contracts) unfortunately, six staff members remain without contracts. These staff members had to approach the Council for Conciliation and Mediation (CCMA) to mediate the matter. This matter remains unresolved and is ongoing.

The entity has been unable to provide evidence for most of its operations and the AG made the

[28] IDT Annual Report 2020/21 pp. 26,27.

point that "uncertainty regarding the future of the public entity and moratorium of the filling of vacancies in critical positions resulted in inadequate human resources and low staff morale across the IDT. This had a negative impact on the entity's ability to produce credible financial and performance reports and comply with laws and regulations."

Legal Mandate

After the first democratic elections in 1994, the IDT was re-constituted as a development agency and public entity in 1997 to support all spheres of government with social infrastructure, project management, and maintenance projects. At its sitting in March 1997, Cabinet resolved that the IDT should be "… transformed into a government development agency that will implement projects which are commissioned by government departments."[29] The IDT is listed as a Schedule 2 public entity as per the Public Finance Management Act (PFMA) (Act 1 of 1999).
The IDT's mandate directly contributes to the following Strategic Infrastructure Plans (SIPs) under the NIP:

SIP 6: Integrated Municipal Infrastructure Project.
SIP 12: Revitalisation of Public Hospitals and other Health Facilities.
SIP 13: National School Build Programme.
SIP 14: Higher Education Infrastructure.

Both the NDP and the NIP enjoin the IDT to contribute to the national agenda 2030 by:

- Fostering balanced economic development;
- Unlocking economic opportunities;
- Promoting job creation; and
- Facilitating the integration of human settlements and economic development.

These laws constitute the legal framework governing the work of the IDT:

- Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996)
- Public Finance Management Act, 1999 (Act No.1 of 1999);
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);
- Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004);
- Labour Relations Act, 1995 (Act No. 66 of 1995);
- Occupational Health and Safety Act, 1993 (Act No.85 of 1993);
- Employment Equity Act, 1998 (Act No. 55 of 1998);
- Pension Funds Act, 1996 (Act No. 24 of 1996);
- Companies Act, 2009 (Act No. 71 of 2009) as amended;
- The Trust Property Control Act, 1988 (Act No. 57 of 1988);
- Promotion of Administrative Justice Act 2000 (Act No.3 of 2000); and
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

9.4.2. Key Performance matters and the Budget

Foregrounding reflections on its performance through the budget, the IDT notes the effect of budget constraints where allocations to client departments diminished the number of infrastructure projects. It refers to the constricting effect of the economy on infrastructure projects and the construction sector specifically. In addition, the phased lockdowns due to the Covid-19 pandemic in the 2019/20 and the current financial year caused severe slowdowns in construction projects which affected the IDT's work, development as an organization, and progress towards reaching the objectives of the National Development Plan.
The entity lists the following achievements as its contribution to the national development effort:

- R2,525 billion expenditure on social infrastructure construction (inclusive of R644 228 million expenditure on EPWP-NSS);
- Creating 71 347 work opportunities through the Expanded Public Works Programme

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[29] Structural Relationships between government and Civil Society Organisations." A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

Non-State Sector (EPWP-NSS) initiative

- Supporting a total of 339 Non-Profit Organisations (NPOs) through the EPWP-NSS initiative.
- Spending 63% of total programme spend (R1,591 billion) on BBBEE complaint entities as weighted BBBEE spend[2].
- Allocating R113 738 million (8% of total programme contracts awarded) and R104 007 million (7% of total programme contracts awarded) worth of construction project contracts to youth and women owned companies respectively.

The IDT further highlights that it succeeded in completing 77% of projects during the period under review within budget and 61% on time. It also completed a total of 70 social infrastructure projects during the reporting period which included the construction of new facilities, and renovations, upgrades and maintenance of existing social infrastructure facilities.
Due to the tenuous nature of the entity, it is prudent to reflect on matters relating to the Board as Accounting Authority where much of the instability is evident.

9.4.3. The Accounting Authority and the challenges to operate the IDT

The entity continues to operate under an Interim Board of Trustees consisting of four Board Members that were appointed by the Minister of Public Works and Infrastructure. This Interim Board could not make binding decisions. It basically performed some oversight function over the administration, and held a workshop on options for configuring the IDT (this being in addition to scenarios that were previously developed).
Board Committees are the engine rooms of Boards that perform governance functions of entities. The Interim Board could not establish committees, other than an Audit and Risk Committee. A crucial component of an audit and risk committee is that it should have independent members that are suitably qualified (chartered accountancy and audit specialization) to ensure that sufficient independent oversight is prudently exercised over the entity's administration.
It must be noted that the independent members of the Audit and Risk Committee jointly resigned effective 9 July 2020, and there is no Audit and Risk Committee Report in this 2019/20 Annual Report.
This practically means that the IDT did not have a functioning governance structure and the administration could not function during the year under review. The report of the AG on the financial statement found evidence of this.

9.4.4. The AG's audit opinion

- *Disclaimer.* This is the worst opinion that the AG ever expresses on the operations, governance and financial statement of an entity or department. It had to be expressed because there has been insufficient appropriate evidence that management properly accounted for programme assets and liabilities. Due to this status of the entity's accounting records, and the non-submission of information in support of these balances, the AG was unable todetermine whether any adjustments were necessary to programme assets and liabilities, both stated at R2,903,043,000 to the financial statements.
- Under "Revenue from exchange transactions: Management fees", the entity claims that it collected R148,5 million which was R222 million in the 2018/19 financial year. Unfortunately, due to the lack of financial and management staff in its SCM, there was no evidence to substantiate this claim.
- Under "Receivables from exchange transactions", the claimed amount is R48 million that was R152 million in 2019.
- Under Property, Plant and equipment, it claims R23,3 million.
- It listed items under contingent liabilities that did not belong under this category which overstated this by R65,4 million. After being made aware of this, the entity made adjustments but the AG could not find alternative material with which to test whether this was correct. The amount restated amount at R255,3 million (2019: R211,4 million).
- Under "Irregular expenditure" the AG did not have sufficient appropriate audit evidence

for the IDT did not maintain accurate and complete records of the information used to determine irregular expenditure. We have to note that the amount stated at R13,3 million could not successfully be audited due to the lack of accurate and complete recordkeeping by the IDT.

- The status of accounting records is in such a dire state that fruitless and wasteful expenditure of R103,6 million could not be audited successfully.
- Due to the nature of the financial statements, and the lack of systems of control, the AG stated that the IDT has been "experiencing financial challenges that could potentially be an impediment to its ability to realise its assets and discharge its liabilities in the normal course of business.[30]"

Note of appreciation

The committee thanks the Minister and Deputy Minister of Public Works and Infrastructure, the senior management of the DPWI, the Auditor-General, and the Board leadership and administrative teams of the entities of public works and infrastructure for the collective commitment and willingness to deliberate and engage with Members of this committee so that we can strengthen ourselves to improve services to the people.

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[30] IDT Annual Report 2019/20, p 71.

10. RECOMMENDATIONS

The committee recommends that the Minister ensure that the department provide reports as follows:

10.1. A full report on internal and independent investigations into leases, litigation related to leases, and the consequence management processes that the department has initiated to deal with the weaknesses identified.

10.2. A report on progress with the investigation that the Minister and the Speaker initiated to deal with the slow progress on the refurbishment of the Parliamentary Villages (as managed in the Prestige Programme).

10.3. Progress report in the second quarter report of 2022 on the organizational renewal to ensure a fitting ethical culture to establish and maintain a dignified client delivery culture in the DPWI and the PMTE.

10.4. Each quarterly performance report in 2021/22 to include an update on the skills audit to get a proper fitting of skills in the Head Office and across the 11 regional offices to manage the immovable asset register, leases, maintenance contracts, and construction management projects.

10.5. A full report on efforts to address the leadership vacuum that continue to threaten stability and consistency that is required in the monitoring, compliance and reporting regime that is required for the department to effect its mandate.

10.6. A progress report on the responses from Accounting Officers of client departments to deal with the outstanding balance of R3.8 billion of outstanding debt to the DPWI/PMTE so that detail of disputes and other constraining matters can be identified and dealt with.

10.7. A report on the under-expenditure in Construction Projects Management and efforts to mitigate challenges experienced with contractors and client departments. Include a comprehensive list of projects, regional/provincial location, project managers, professional built environment personnel and the client departments that are involved over the year under review as well as for the medium term of the sixth administration.

10.8. In spite of claims that the Enterprise Resource Plan has been rolled out and is implemented, the department suffers from the consequences of poor recordkeeping. By the third quarter of 2021/22 a report on record keeping systems and appropriately qualified and trained staff to minimize and illuminate incidences of irregular expenditure and other material irregularities from the books of the DPWI and PMTE.

10.9. A quarterly update report on the amendment of the legislation of the cidb and the CBE to respectively transform the construction and professional built environment sector.

10.10. An update report in the first quarter of 2022/23 on the reconfiguration of the IDT into a social infrastructure development and property maintenance agency that serves the National Development Goals of the country.

10.11. A comprehensive report on reasons why there has been increased expenditure on payments to Board members in the CBE due to emergency meetings to deal with matters related to whistle-blower reports containing allegations of gender discrimination in BEP Councils.

10.12. A detailed report on the investigation and methodology that has been employed to investigate governance issues, maladministration, alleged gender discrimination and bullying in the Board of the SACAP as BEPC that reports to the CBE.

10.13. A report on the establishment of scheduled instead of ad hoc maintenance of immovable assets in the country as a key step to prevent maladministration in maintenance contracts across the immovable asset portfolio in order to increase the lifespan as well as increase the value of the immovable assets. This report to include a list of assets that is scheduled and planned for maintenance per regional office in each financial year.

Report to be considered.