



**PFMA
2021-22**

Minister meeting – Public Works and Infrastructure Portfolio and Sector

11 October 2022



AUDITOR-GENERAL
SOUTH AFRICA



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

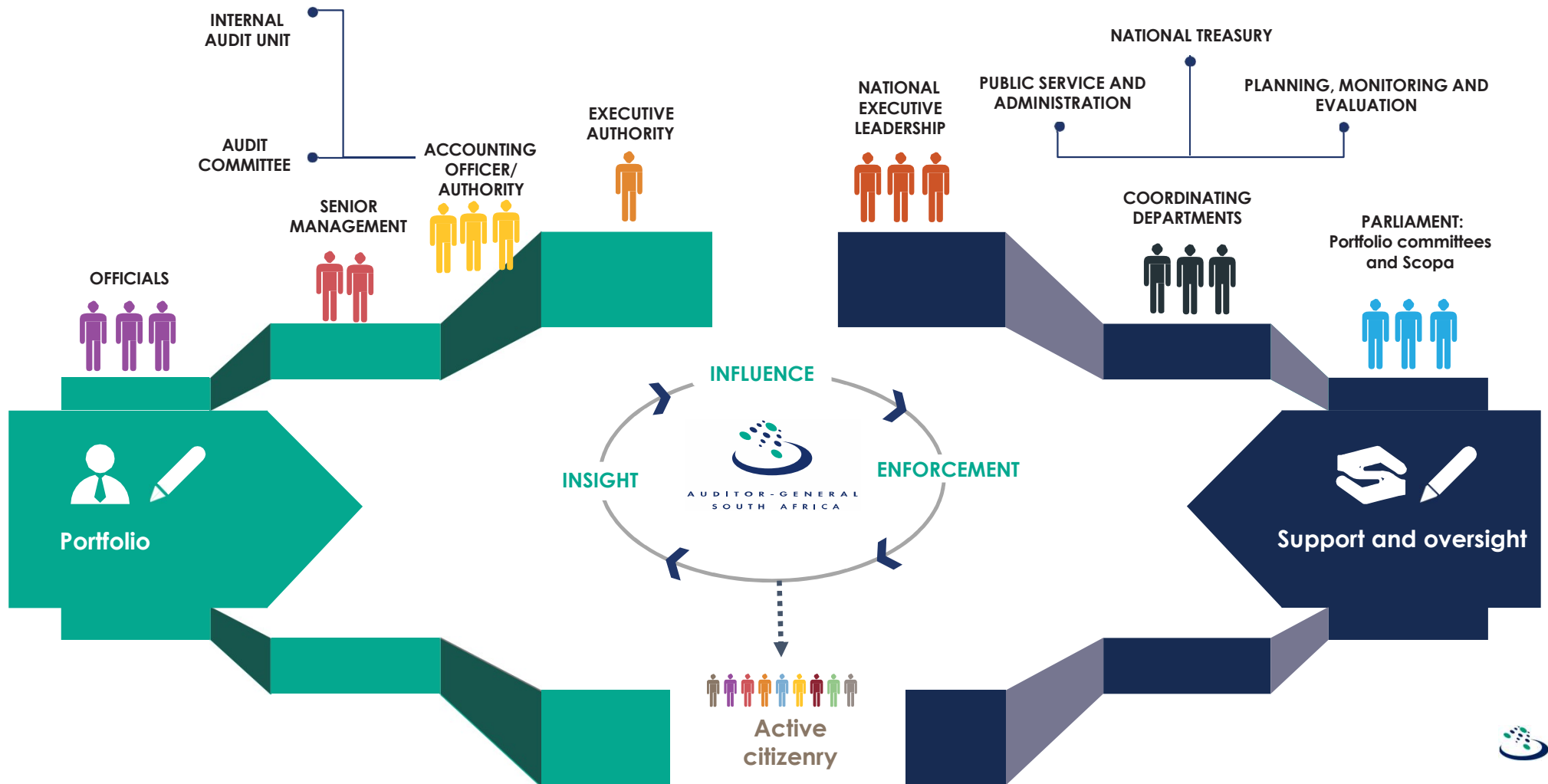


VISION

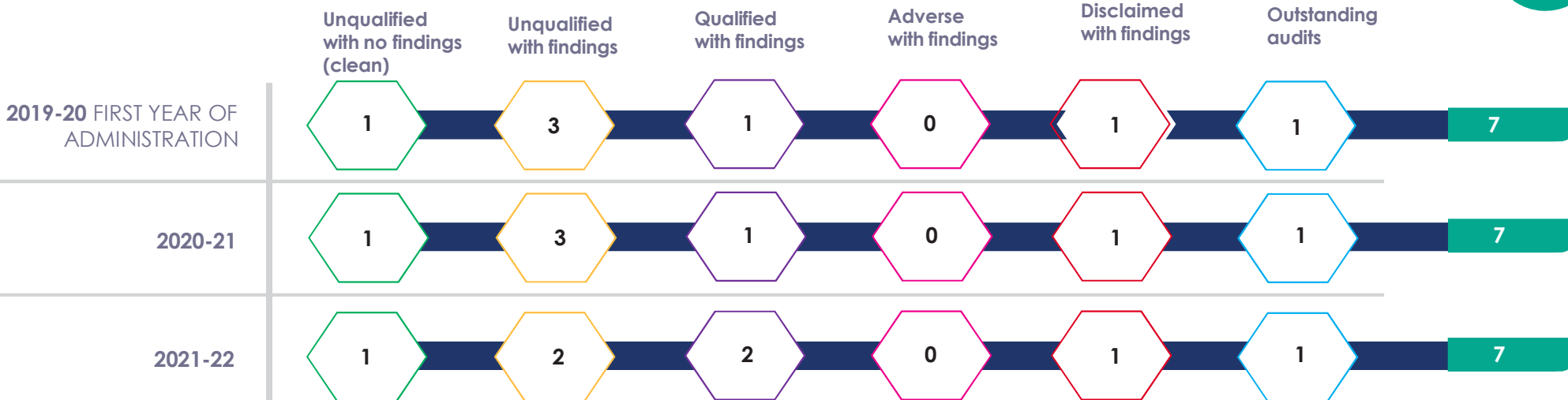
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



All have a role to play in national government accountability ecosystem



Regression over administration term



MOVEMENTS FROM PREVIOUS YEAR:
1 ↑ 2 ↓

Independent Development Trust (IDT)

Property Management Trading Entity (PMTE)

Department of Public Works and Infrastructure (DPWI)

Construction Industry Development Board (CIDB)

Agrement South Africa (ASA)

Council for the Built Environment (CBE)

FROM FIRST YEAR OF ADMINISTRATION:
1 ↑ 2 ↓

Independent Development Trust (IDT) ↑

Property Management Trading Entity (PMTE) ↓

Department of Public Works and Infrastructure (DPWI) →

Construction Industry Development Board (CIDB) ↓

Agrement South Africa (ASA) →

Council for the Built Environment (CBE) →

Outstanding audits
Parliamentary village have not submitted the financial statements since 2014 and therefore has not been audited since 2013/14

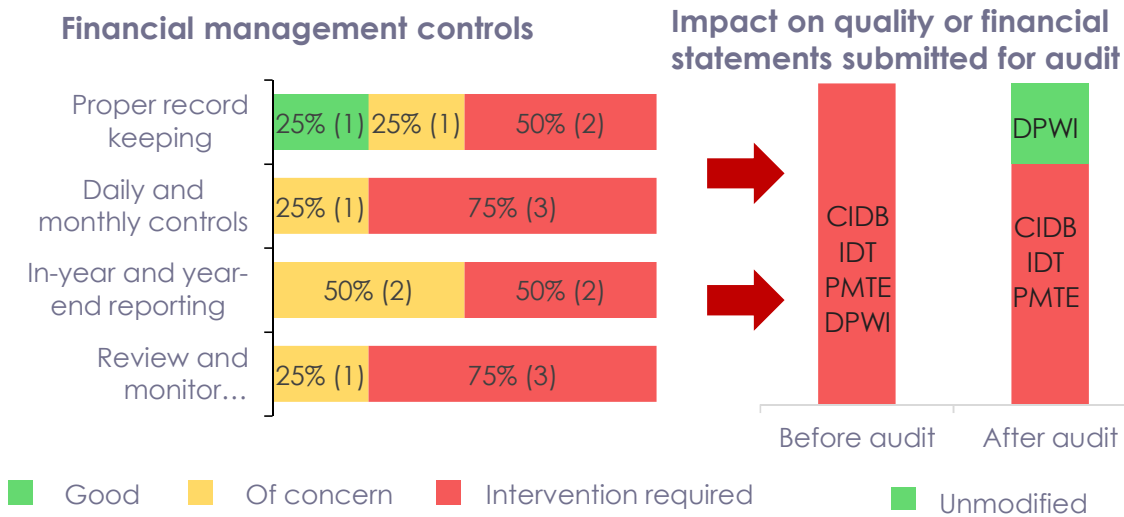




Financial management and compliance



Quality of financial reporting



Main qualification areas

PMTE

- Property, plant and equipment
- Payables from exchange transaction

IDT

- Programme assets and liabilities
- Irregular Expenditure

CIDB

Revenue and receivables from non-exchange transaction (Build fees for unregistered projects)

These analysis exclude the S4(3) and small auditees : CBE and ASA

Impact

- Internal control systems developed to address prior year qualifications have not been effective in certain instances. Issues around leases at PMTE remain leading to overpayments being made. Weaknesses in financial management controls relating to programme assets and liabilities and prior year irregular expenditure at IDT is still a concern. Action plans should be intensified to address all weaknesses and be monitored regularly.
- The trading entity regressed on the immovable assets register (IAR) as a result of significant changes of the IAR previously audited. Management did not keep record of the changes being made which made it difficult to outline what had been changed and the reasons thereof. No supporting documents were provided to auditors to ascertain the restatement.
- Non-compliances with laws and regulations has been reported within the portfolio. Repeat findings plus new issues were noted. Preventative controls have not been prioritised but the portfolio has been reactive in responding to compliance issues.
- Regression in the audit outcome of CIDB was noted as a result of systems and processes not being in place to account for all revenue related to construction awards which are not registered on the register for projects (ROP).



Revenue



Expenditure



Average debt-collection period = **41 days**

R2,4 million of expenditure was **fruitless and wasteful** (3 auditees)
Average creditor-payment period = **21 days**

Impact



PMTE ended the year in deficit (expenditure more than revenue)

None of the entities incurred unauthorised expenditure

IDT disclosed significant doubt in financial statements about ability to continue **operating as a going concern** in foreseeable future

The cited above doubts have a **dire impact** on the **confidence that user department** place considering the **role of both PMTE and IDT** in the provision of infrastructure to the state.

DPWI and CIDB- we commend these auditees for not writing off more than 10% of the outstanding debts

DPMI also consistently paid its suppliers within 30 days

Doubt whether auditees can continue as a going concern

These analysis exclude the S4(3) and small auditees :
CBE and ASA

IDT
3 years



Compliance with key legislation



2021-22

CBE

CIDB, PMTE, IDT, DPWI and ASA

0 2

No material findings Material findings

Most common areas of non-compliance	PMTE	DPWI	IDT	CIDB	ASA
Quality of financial statement	X	X	X	X	
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X	X	X		X
Effective consequence	X	X	X		X
Revenue management	X		X	X	



Procurement and payments

Status of compliance with legislation on procurement and contract management

2021-22 **CBE, ASA, CIDB** **PMTE, DPWI** **IDT** (CIDB)↑(0)↓ IDT,PMTE,DPWI,ASA →

● With no findings ● With findings ● With material findings

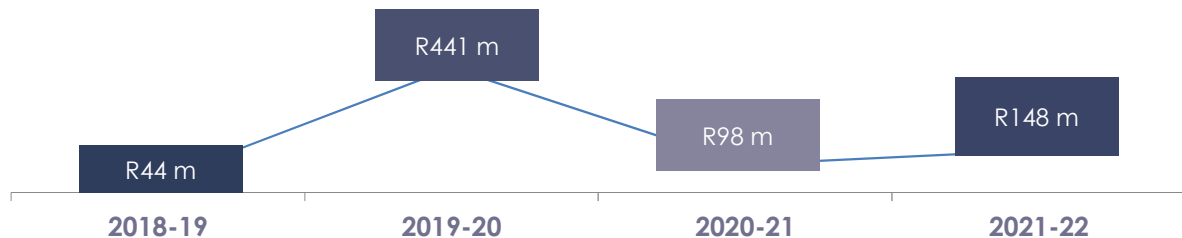
Details of procurement findings	IDT	PMTE	DPWI
Uncompetitive and unfair procurement processes	R2.2m	R242m	-
Prohibited awards to employees	-	-	-
Prohibited awards to other state officials	-	-	-
Limitations on audit of awards selected for testing	-	-	-

PMTE- all instances of non compliance identified through the audit were disclosed as irregular expenditure under assessment, as such the actual amounts can only be determined once the assessment is finalised.
IDT- The instances of non compliance related to goods and services purchased without following a fair and transparent process.
DPWI, CIDB, CBE, ASA- no instances of procurements were identified for these auditees.



Irregular expenditure

Annual irregular expenditure



Top contributors



Still investigating to determine the full amount= R3,7m (DPWI)

Limitation in the opening balance of Irregular expenditure=R 106m (IDT)

Impact assessment of irregular expenditure incurred

Breach of five pillars of procurement – equitable, fairness, cost effectiveness, transparency and competitiveness: PMTE incurred R79 million as a result of procurement processes not followed and IDT incurred R822 000 as a result of invalid reasons provided for single sourcing and leasing of office space without following procurement process.

Other: R54 million was incurred by PMTE as a result of irregular appointment of employees and appropriate approval not obtained by delegated official. DPWI incurred R3,8 million as a result of irregular appointments of officials and IDT incurred R9,8 million as a result of contracts that expired but the entity continued to make payments

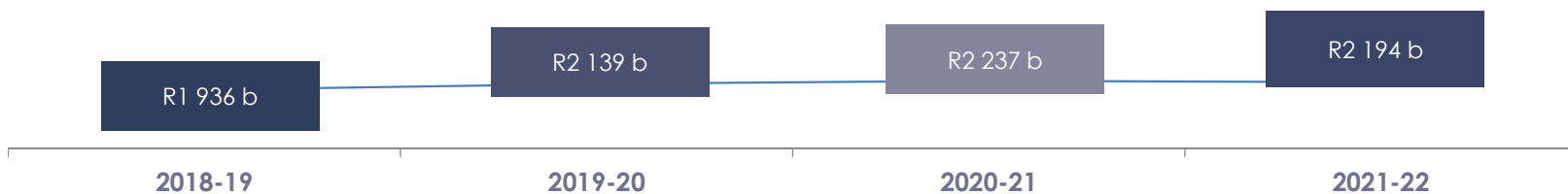
Impact not yet assessed: R176 million incurred by PMTE as a result of procurement and contract management and DPWI incurred R453 000 as a result of contract awarded to the winning bidder who was non-responsive.

These analysis exclude the S4(3) and small auditees : CBE and ASA



Consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure continues to increase



Top 2 contributors (R1,480 million) to irregular expenditure not dealt with constitute 66,2% of R2,237 billion



These analysis exclude the S4(3) and small auditees : CBE and ASA

How have auditees dealt with irregular expenditure



Reasons for IE not dealt with:

- The instability of the accounting authority at IDT enabled the lack of consequence management for the occurrence of the irregular expenditure at IDT.
- PMTE focused more on items that were due for write off rather than investigating the full opening of irregular expenditure.

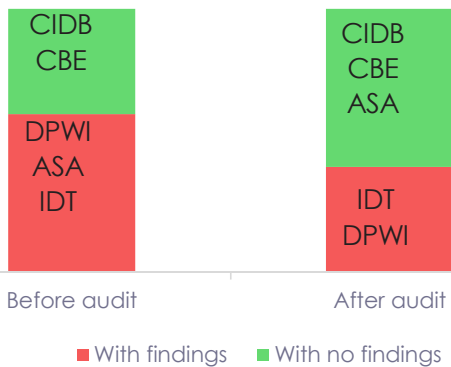


Portfolio performance



Performance planning and reporting impacts service delivery

Quality of performance reports before and after audit



Findings: Planning for service delivery

At IDT

- Indicator/measure not verifiable
- Indicators/measures not well-defined
- For example, the indicator on number of construction work opportunities created with a planned performance of 4572 work opportunities was not supported by systems and processes to ensure it is calculated correctly.

Findings: Reporting

- Lack of sufficient appropriate evidence to support the reported performance information related to EPWP (DPWI)
- Supporting evidence provided materially differed from the reported achievement (DPWI and IDT)
- Subsequently, the reported performance information was not accurate, valid and complete (DPWI and IDT)

PMTE does not have PDO in the current year as it is reported in the DPWI as group reporting

Impact

- Work opportunities created are not sustainable and do not always result in upskilling, training and certification of beneficiaries which does not result in reduction of unemployment rate.
- Construction projects are not always completed within agreed period, budget and time which leads to a large number of significantly delayed projects.
- As a result, some user departments have opted to construct their own projects which distracts them from their mandate e.g. South African Police Services (SAPS)
- Furthermore, significantly delayed results in delays on citizens obtaining service delivery e.g. no police station in the area
- Inaccurate reporting of achievement result to reporting that is not reliable and misleading to the users.
- Reporting on indicators and/or targets that were not consistent with planned indicators/targets was defeating the whole purpose of predetermined objectives and would result into lack of accountability, especially in areas where the targets were not achieved.



Performance against target

Key targets in medium term strategic framework for portfolio

1. 5 million work opportunities created by 2024
2. Design and implement a capacity building programme for the procurement and delivery of infrastructure by March 2021/22
3. Three existing cities identified and plans for redesign and refurbishment as smart cities developed by March 2024
4. 1.5 million Ha redistributed
5. 50 land parcels by 2024 and identification of government buildings that can be used as a catalyst for spatial transformation

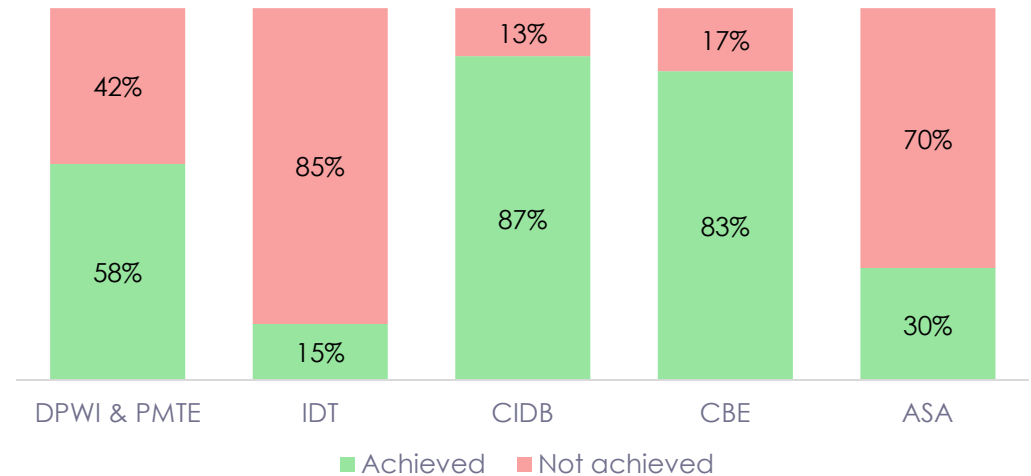
Progress made on key target

Not all auditees in the portfolio have included key indicators 4 and 5 in their annual plans which **hinders the progress in achieving the 2024 MTSF targets**.

NDPWI is solely responsible for indicator no. 3 and is **on track** to achieve the target by 2024, with one **smart city** already identified and planned for redesign and refurbishment in the current year.

In relation to indicator no.1, the sector is on track to achieving 5 million work opportunities by 2024, however the **credibility of reported work opportunities created remains questionable** as it materially differs to supporting evidence whenever audited.

Achievement of annual targets as reported in annual performance report (all indicators) – 2021-22



Achieving key performance targets – summarised information from performance report

DPWI & PMTE

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of work opportunities reported in the EPWP- RS by public bodies	1 009 972	1 016 646	The target was achieved.
Ha released from DPWI portfolio for development of infrastructure programmes and socio-economic objectives	21 132	20 102	32 895 hectares were processed for release in support of land reform programme.
No. of infrastructure projects completed	95	128	The target was achieved.
Number of conditions assessments conducted on identified/prioritised properties	200	236	The target was achieved.

The DPWI has met majority of key performance targets in the current year. This is a positive outlook as we get closer to the 2024 MTSF targets. However there is concern with the quality of the reported targets:

- The reported number of work opportunities on **EPWP have been qualified for the past three (3) years**. This casts **doubt on the credibility** of the reported performance.
- The **lack of upskilling through training and certification** on this programme have a **dire impact on the desired aim of reducing the unemployment rate** in the country.
- The amount of **land released by DPWI is not aggressive enough** to meet the target of 1,5 million Hectors by 2024 as **only 20% (300 000 Hectors) have been released**.
- Although the **DPWI has overachieved on the number of projects completed**. These projects are **not always completed within the original planned time and budget**.
- In addition, **the target of 95 seem to have been set as a convenient target** to enable the department to achieve, however the reality is that **DPWI seats with 187 significantly delayed projects** as per the assets under construction records.
- Also the **achievement is based on the approved extension date instead of the original contract timelines**.

IDT

Performance indicator	Target	Actual performance	Reason for non-achievement
Number of new or replacement facilities that comply with infrastructure norms completed	15	17	The target was achieved.
Number of non- greenfield social infrastructure facilities that comply with infrastructure norms completed	25	19	Delays in the transfer of funds affected the completion of projects as planned. Several contractors are still being affected by the aftermath of covid-19, resulting in cash flow challenges.

Given that the strategic plan is to provide dignified client experience through ensuring facilities comply with infrastructure norms and standards. The number of buildings targeted seem to be low compared to the vast number of state-owned properties which are in bad condition.





Conclusions and recommendations



Overall root causes of significant findings in portfolio

- Audit action plans were not monitored to ensure all the findings from the previous year have been addressed (PMTE, IDT, DPWI)
- The deficiencies identified were due to instability and or vacancies (DPWI, IDT)
- Slow response by management in improving key controls (ALL)
- Inadequate consequence management was noted (DPWI, PMTE, IDT)
- Key personnel lack the right skills and capabilities to enhance reporting and reviews (PMTE)

Key recommendations to and commitments by accounting officers and authorities

- The audit committees, AA and AO should monitor the implementation of action plans by senior management to ensure that the findings raised by external and internal auditors are addressed appropriately (DPWI, PMTE, CIDB, IDT).
- The current employees tasked with key financial reporting roles should be upskilled to enhance compliant reporting and reviews of the financials (PMTE)
- The AA, AO and EO should take decisive consequence management on employees implicated by irregularities and non compliances with laws and regulations (DPWI, PMTE, IDT)

Commitments by executive authority

- All the executives signed a 10 point commitment which is aimed at improving internal processes to ensure improved audit outcome and service delivery.



Message

1

Consequence management should be prioritised by the accounting officer and authorities in order for the employees that caused unauthorised, irregular, fruitless and wasteful expenditure (UIFW) including any allegations committed to be held accountable (All).

2

Oversight role (audit committee, the board and executive authority) should be intensified to ensure that the accounting officer and senior management implement the recommendations from completed investigations related to material irregularities, fraud and other allegations timely (DPWI, PMTE, IDT).

3

The accounting officer should capacitate and upskill senior management who are responsible for critical financial information such as leases, payables, immovable assets in order to improve the quality of financial statements and record keeping (PMTE).

4

Documented policies and procedures to guide the operations of best practice project assessment scheme (BUILD fees) should be developed and implemented especially on accounting for unregistered projects (CIDB).

5

The audit outcome improved as a result of establishment of governance structures as well as the appointment of the chief financial officer CFO. Proper record keeping improved as evidence to support financial statements were retrieved (IDT).

The accounting authority should prioritise adherence to supply chain prescripts on procurement related to infrastructure projects implemented on behalf of user departments (IDT).

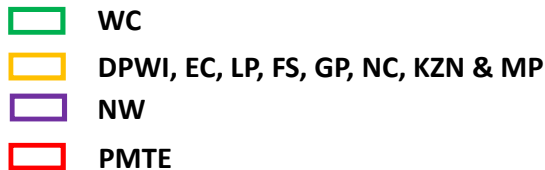
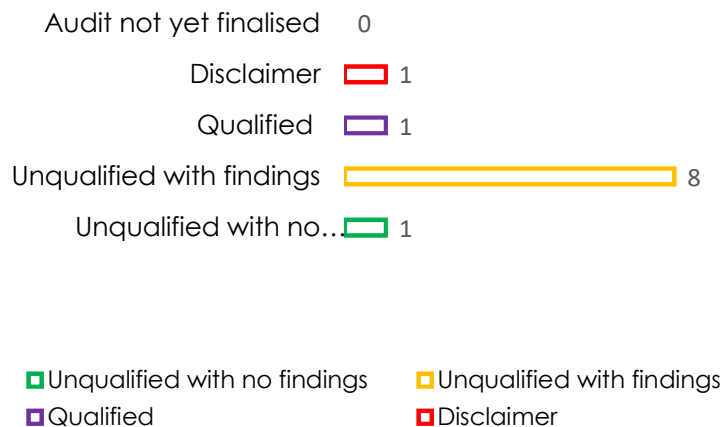


DPWI Sector



REFLECTION ON SECTOR AUDIT OUTCOMES

Summary of audit outcomes



- **PMTE** regressed **from a qualified audit** opinion over the past three years to a **disclaimer** in the current year.
- This regrettable change is attributable to the mismanagement of immovable assets which saw the prior records of assets being significantly change without keeping track of the changes.
- As such, some of these properties were found not to be accounted for by **PMTE** while the title deeds of other properties were found to have been changed without the knowledge of PMTE.
- **NW** on the other hand remain the only department in the sector with a **qualified opinion**. This is due to failures to adequately record all instances of irregular expenditure.
- **Other 8 auditees** which obtained **unqualified opinion with findings**, have been stagnant in battling to submit quality and credible financials and performance reports for audits.
- While we **commend WC** for sustaining a **clean audit**, the loopholes which are further unpacked below related to infrastructure projects, maintenance of buildings as well as mismanament of leases have resulted in some of the user departments constructing their own infrastructure projects and these affect all these auditees.



MTSF ANALYSIS





Out of the 7 MTSF priorities announced by the President, 4 of them are the responsibility of DPWI

12 output indicators have been developed to measure these MTSF priorities which DPWI is lead or contributor

EXPANDED PUBLIC WORKS PROGRAMME

Seven outcomes from the DPWI five-year strategic plan have been developed to address the MTSF priorities and output indicators

MTSF PRIORITIES

MTSF Priority 1 – A CAPABLE, ETHICAL AND DEVELOPMENT STATE

MTSF Priority 2: ECONOMIC TRANSFORMATION AND JOB CREATION

MTSF PRIORITY 3: EDUCATION, SKILLS AND HEALTH

MTSF Priority 5- SPATIAL INTEGRATION HUMAN SETTLEMENTS AND LOCAL GOVERNMENT



DPWI STRATEGIC PLAN

Outcome: Resilient, Ethical and capable DPWI

Outcome: Productive Assets

Outcome: Sustainable Infrastructure

Outcome: Transformed Built Environment

Outcome: Optimised Job Opportunities

Outcome: Dignified Client Experience

Outcome: Co-ordinated Integrated Planning



Contribution to MTSF indicators

Output indicators - MTSF	NDPW	IDT	FS	KZN	NC	EC	WC	LMP	MP	GP	NW
Improved asset management and reporting in the public sector (Programme to strengthen asset management and reporting in the public sector)	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Red	Yellow	Yellow
Number of validated EPWP work opportunities reported by public bodies	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Infrastructure Fund established and operationalised	Green	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Capacity building programme (Projects completed within agreed period, approved budget and infrastructure sites handed over for construction)	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Number of schools that are provided with appropriate sanitation facilities	Red	Green	Red	Green	Red	Green	Green	Red	Red	Green	Red
Number of government owned land parcels released towards spatial transformation and spatial justice	Red	Red	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Red
Hectares (Ha) of Land redistributed or acquired and or allocated for agrarian transformation, industrial parks, human settlements and rural development	Green	Red	Red	Green	Red	Green	Green	Green	Red	Red	Red
Number of cities identified for redesign and refurbishment as smart cities	Green	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey

MTSF indicator analysis

- From a total of **twelve (12) MTSF indicators** where DPWI is given the responsibility of lead or contributor, **only 8 (67%) of these indicators have been included** in the departments APP's, per the above table.
- Based on the performance reports thus far, **DPWI is on track on meeting some of their 2024 MTSF output targets. However**, it is concerning that the **DPWI has not been able to successfully strengthen asset management and reporting in the public sector**, which is one of their **core functions** as set out in the **GIAMA Act**.
- The **credibility of EPWP reported numbers** remains **questionable** due to issues on **reliability** and work opportunities relate to unskilled labour and short term jobs which is **not sustainable**.
- Capacity building programme, the sector still have large number of significantly delayed projects. This resulted **in over-reliance on leasing** of privately owned properties and user departments opting to construct their own infrastructure.
- Land parcel released, the sector is on track however it is concerning that **only 2 provinces (EC & GP)** are contributing towards achieving this indicator as 44 municipalities and 8 metros have been earmarked for development across the country
- Furthermore, DPWI **is significantly behind** with meeting their **output indicator** in terms of land distribution and restitution. The aforementioned may result in DPWI not meeting 6 (50%) of the MTSF output targets by 2024. This will have an adverse impact on the lived reality of South Africans.
- In addition, 4 indicators(not included above) where DPWI is allocated as a lead(1) and a contributing role(3) are **not being tracked** by the department as part of their performance management:
 - % of approved land reform projects provided with post settlement support - **(lead)**
 - Number of employment opportunities facilitated through the Mass Employment Stimulus Programme (MESP) - **(contributing)**
 - Number of Coastal Cities Planned - **(contributing)**
 - Percentage share by gender, age and disability of hectares (Ha) of land acquired, for redistribution, restitution, tenure reform and access to title deeds - **(contributing)**
- It is not evident how the department is measuring their contribution role in ensuring that the MTSF set targets will be met.

● Indicator included
 ● Indicator included, quality questionable
 ● Indicator not included
 ● Indicator only applicable to NDPWI



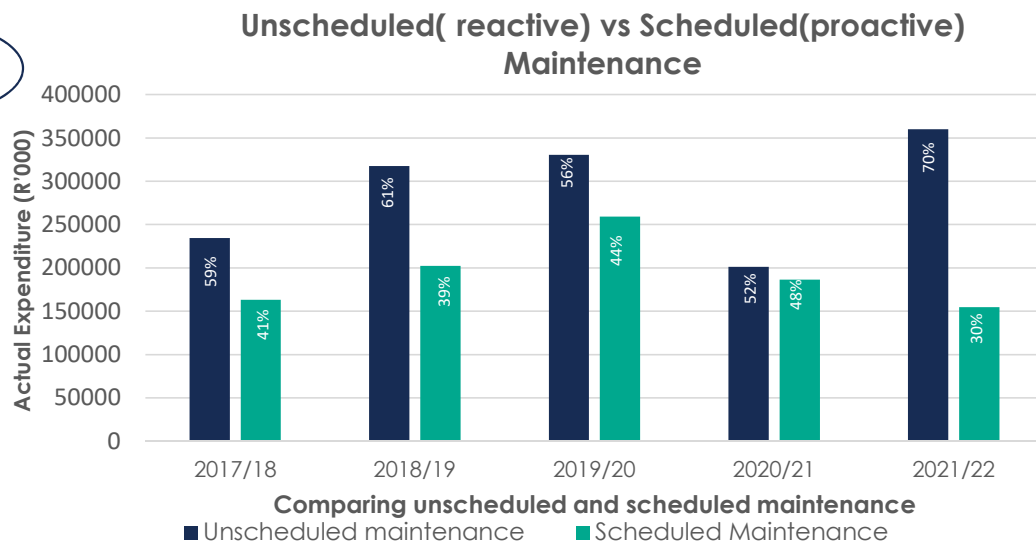
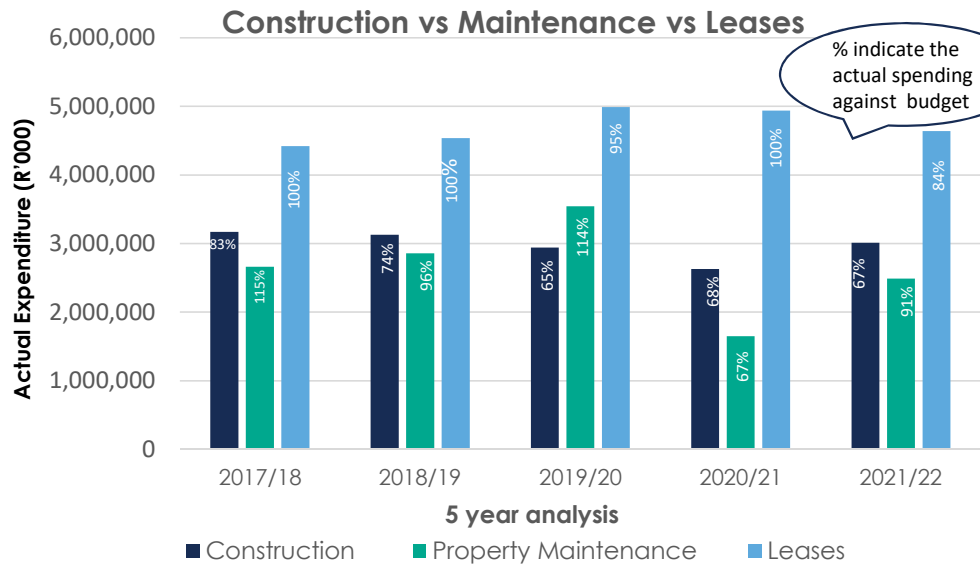
REFLECTION ON SECTOR PERFORMANCE- PUBLIC WORKS SECTOR

Indicators	5 year MTSF target	3 year totals (2019/20 , 2020/21 and 2021/22)		
		Average target	Sector Own target	Sector achievement
Hectares (Ha) of land redistributed or acquired and or allocated for agrarian transformation, industrial parks, human settlements and rural development	1 500 000	900 000	360 336 (40%)	86 233 (23%)
Number of infrastructure projects completed within Time	Not included as customised indicator	Not included as customised indicator	317	231 (73%)
Number of condition assessments completed	Not included as customised indicator	Not included as customised indicator	5944	3443 (58%)
Capacity building programme	Design and implement a capacity building programme for the procurement and delivery of infrastructure by March 2021/22	Design and implement a capacity building programme for the procurement and delivery of infrastructure by March 2021/22	0	0
Number of government owned land parcels released towards spatial transformation and spatial justice	50 land parcels	30	0	0
% of approved land reform projects provided with post settlement support	100%	100%	0	0

- It is concerning that the sector has **not been able to implement a sustainable programme which is geared towards ensuring that 1.5 million hectares of land** will be redistributed by 2024. With only 2 years left, it is highly unlikely that the sector will achieve this set outcome.
- Although the **sector was not able to agree on customized indicators especially those linked to the heart of the mandate such as maintenance of properties or completion of infrastructure projects**, based on the sector targets for 2024, the sector is not close to achieving its own target as it is already behind with the targets which were set for the three (3) years since the 6th administration.
- It should be commended that the sector achieved 73% of the target to completing projects, however **the indicator is measured after taking into account multiple extensions of time therefore, not reflecting the true picture of how projects are managed.**
- Condition assessments informs the planned maintenance plan in ensuring state assets are fit for occupancy and meet user requirements, however, **only 58% of condition assessments were performed on state assets which indicates the sectors priority on asset management.**
- **The sector is also not on track to achieving the other indicators which it as been allocated as the lead due to these indicators not being included in the sector APPs.** Therefore by the end of 2024, the above three indicators will not be achieved unless the sector include them in the APP for the remaining two (2) years of the 6th administration.



5 Year Expenditure Analysis against what was budgeted for (PMTE)



DPWI's mandate is to **maintain productive assets** and the main focus areas should be on the **construction and maintenance of state-owned buildings**.

However, due to a **lack of adequately maintaining state-owned properties**, it's focus **has shifted to privately leased buildings**. The trends above demonstrated that year on year DPWI has consistently **spent more on private leases than construction and maintenance** of existing properties

The departments goal over the strategic period under review is to **achieve a 80:20 ratio of scheduled to unscheduled maintenance**. Contrary to the set goal, the department has **not achieved this goal as expenditure on unscheduled maintenance** has consistently exceeded scheduled maintenance.

This indicates that the department is **more reactive than proactive** in repairing and maintenance state owned properties. This has **resulted in building's conditions deteriorating** which then **become vacant and unutilised as user departments** move out for the safety of employees and citizens.



Before



After



- A former **56-year-old fishmeal factory** located in Hout Bay, Cape Town which was **leased to a private company** was **closed down due to fall in production and complaints about the smell**.
- As a result the company **terminated the lease agreement** in March 2021 **and handed over the building to DPWI**.
- After the building was handed over to DPWI **no asset management** was put in place to keep the building secured.

Impact

- Lack of asset management** to keep the building productive resulted in:
- No safe guarding** of the asset
 - Asset being **abandoned**
 - Looters **stripping the building off**
 - Building being a **haven for criminals** and a **danger to the nearby community**
 - Consequently, **loss of revenue** that could have been earned



Productive assets

First priority for sector is to **maintain a complete asset register** as a single repository for the country.

- **Significant** number of **assets constructed by user departments** were found **not to be included in the asset register (PMTE)**
- **Unauthorised changes** in the **title deeds of state properties** that belong to the state (PMTE)
- A substantial number of **properties not utilised due to poor conditions** emanating from lack of proactive maintenance plans (All)

Dignified Client Experience

Key enablers for this outcome are **regular proactive maintenance of properties** used by client departments; **completion of construction projects within time, budget and at the right quality.**

- Multiple properties continue to be **unutilised due to lack of proactive maintenance and vandalised due to not being secured and safeguarded**
- The above coupled with significantly delayed projects has **resulted in over-reliance placed on leasing of privately owned properties and user departments opting to construct their own infrastructure**
- This resulted in other **user departments constructing their own building**, which takes them away from their core focus.

Optimised Job Opportunities

The sector is on track to achieve **the 5 million work opportunities in 2024.**

- However, the **credibility** of these reported numbers remains **questionable** as it **materially differs to supporting evidence** whenever audited.
- These **work opportunities are normally short term** and relate to unskilled labour which does not result in sustainable job opportunities
- There is also **no evidence of deliberate efforts of upskilling, training and certification** of beneficiaries to enable this programme to positively contribute to the reduction of unemployment rate by converting skills attained through work opportunities to permanent employment opportunities.





Infrastructure projects and maintenance of properties



For the 2021-22 audits, we paid specific attention to infrastructure delivery, focusing also on matters which may impact on the auditees' ability to deliver services to citizens.

In addition, we also focused on facilities management in the form of condition assessment.

We selected key projects in every province as well as the Property Management Trading Entity (PMTE).



Audit scope

- **16 significantly delayed projects** (across province)
- 4 projects for PMTE
- Total contract value of **R1,6 billion**

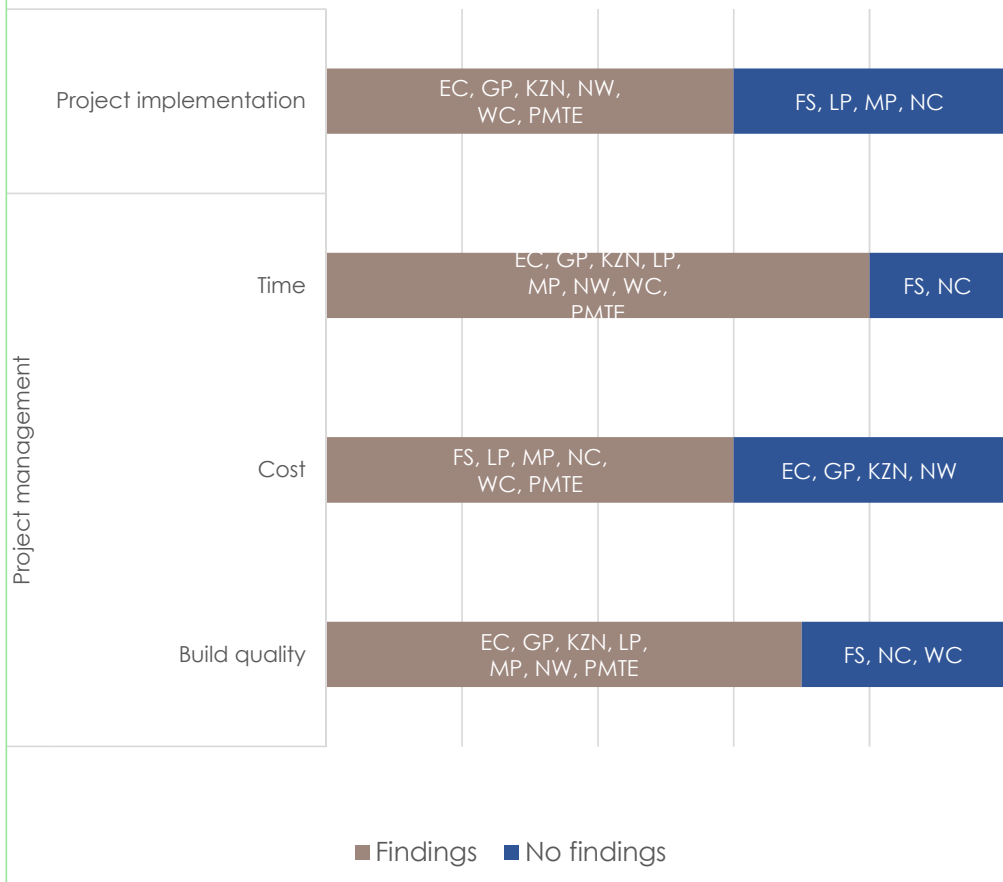
Condition assessment:

- 10 projects



Overview of findings across the infrastructure project life cycle

Number of auditees with findings: Public Work



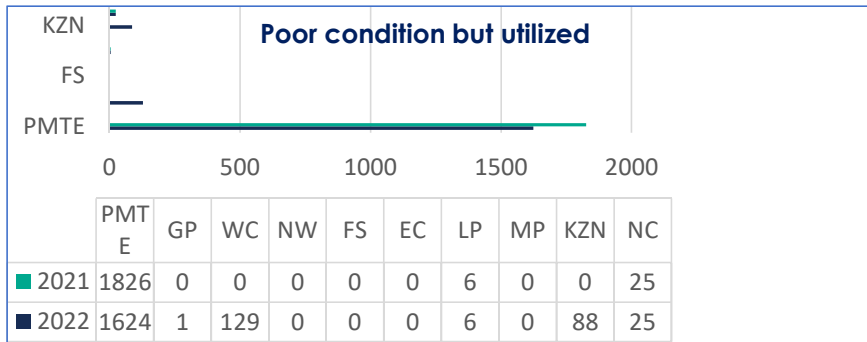
The department is struggling to provide quality public works facilities in a successful and timely manner.

Deficiency	Effect
Inadequate project planning	Cannot provide timely and effective access to finished facilities
<ul style="list-style-type: none"> Ineffective project implementation (monitoring and supervision) and management; Lack of consequence management to rectify problems and encourage accountability from both client and contractor not always taken 	Cannot drive progress and identify & deal with roadblocks and issues that might arise during execution
Ineffective project management	<ul style="list-style-type: none"> Progress remains slow and projects already delayed incurred even further delays(time) Increased project cost and financial losses(cost) Poor workmanship and quality issues (quality)
Lack of intergovernmental relationships to ensure that suitable resources are timeously acquired	Schools are not fully utilized
Condition assessment - Lack of maintenance on buildings by departments, management do not always comply with GIAMA and the OHS Act	Aspects such as general safety, fire and electrical, structural safety, and egress safety do not receive attention and can put the lives of citizens in danger

the lives of citizens in many parts of the country have still not improved

Poor condition but still utilized properties

Overall sector Analysis



Overall: A concern was noted with regard to properties with poor conditions that are being used by departments which include SAPS, Education and Health. In certain instances, conditional assessments are only done every eight (8) years- leaving assets **deteriorating without being rectified timeously** which is in contradiction with GIAMA that requires conditional assessment to be performed at least every fifth year.

There is an overall indication that **no proper maintenance plan** is in place, due to the quantity of state assets that require conditional assessments. In addition capacity constraints and having inadequate allocation of the budget to facility maintenance has lead to properties **not being properly maintained in accordance with GIAMA.**

Performance Indicators Review



The performance indicator relating to conditional assessment of properties is **not effective** enough to address the maintenance issues within the sector:

Example: PMTE planned to perform conditional assessments on 200 properties over a portfolio of 66 115 properties. 236 condition assessments were reported to be achieved, indicating PMTE overachieved in meeting the target. However, **this is only less than 5% of total portfolio** resulting in the **need for maintenance not being identified and prioritized.**

Impact

Lack of maintenance of properties has lead to the following:

- Buildings are being surrendered to DPWI i.e Anderson Primary School as further unpacked in the next slides
- Increase in number of unutilized properties
- Unutilised buildings are vulnerable to vandalism.

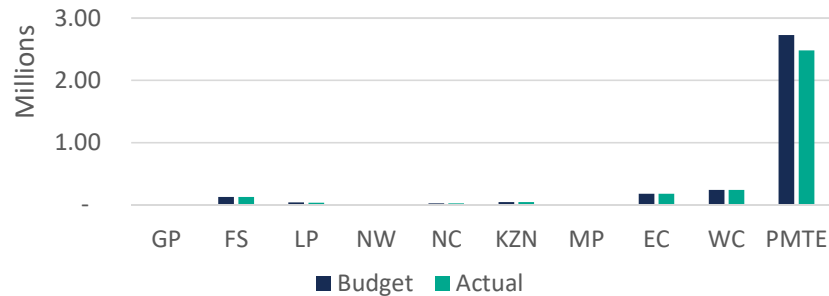
Furthermore, we noted that the sector **does not report on the number of maintenance projects conducted** on buildings with poor condition. The quality of these indicator reflects less priority is given to preventative maintenance.



Poor condition but still utilized properties (cont.)

Budget analysis

2021/22 Budget vs Actual



The analysis of the graphic above reflects that the **sector has utilized majority** of its allocated maintenance budget. However, the sector is **more reactive instead of being proactive** as it responds to client department emergency requests that could have been addressed through regular preventative maintenance of state buildings.

Impact

- The **cost of maintaining** the properties might be **higher in future** if the maintenance is not performed regularly.
- Poor buildings conditions affect the working environment of the government officials
- Community and staff members are exposed to safety and security hazards.
- Litigation claims against the state.

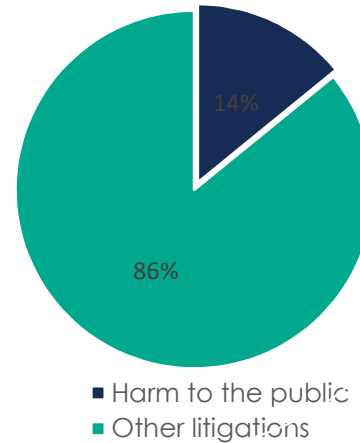
Analysis of the litigation claims against the state

Part of maintenance is complying with the relevant OHS Act to enable the buildings to be fit for occupancy. Failure to maintain buildings **poses danger to employees and citizens**.

An analysis of the litigation claims made against PMTE has revealed the following:

- 14% (12 of 85) of claims to the value of **R24 million out of R303 million** are as a result of harm to the community and employees due to poor maintenance of state assets.

Litigations against DPWI

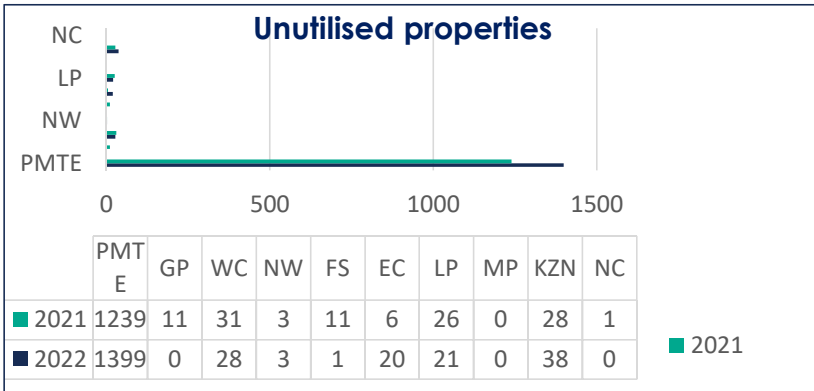


Example: A claim of damages to the value of R500 000 was launched against the department for damage suffered **after the death of a minor** due to undermarketed **non- functioning lifts at SAPS**. It was subsequently advised the matter be settled out of court.



Unutilized properties

Overall sector Analysis



Overall: There has been an increased in the number of unutilised buildings within the sector with PMTE leading by 1399 properties.

The non-maintenance of buildings have been a major contributor resulting in the client department surrendering the previously occupied properties.

As more buildings are left unutilised, there **is a high risk that such buildings will end up being vandalised or illegally occupied.**

There is **no effective and efficient immovable asset plan** for immovable assets in accordance with GIAMA.

Residential Accommodation

Illegal occupation:

The majority of unutilised residential accommodation have been **left unsecured and unplanned** leading to illegal occupants occupying them while the department incurs municipal service charges e.g. property rates. The safeguarding of assets have been a challenge in the sector due to insufficient budget available to cover the security costs.



Impact

Possible danger to the community due to **criminal activities** that might be taking place

Example: Through physical verification a residential house located at Ulundi (KZN) valued at **R241 330** was **identified to be illegally occupied.** Such instances have been acknowledged by management

Unauthorised transfer:

In certain instances, state owned properties were confirmed to have a changed ownership **without authorisation by DPWI.**

Properties were noted to be transferred to private individuals and **no action plan was developed to address this matter** despite the fact that it was also highlighted in the previous years.



Unutilized properties (cont.)

Office accommodation



Office buildings not properly maintained by DPWI are currently being relinquished or surrendered by user departments. This is an indication that user departments **no longer place reliance** on the DPWI for accommodation which impacts DPWI's mandate. Notwithstanding the above, with regard to PMTE, we noted that some unutilised properties have been assessed to be fit for occupancy only requiring minimum maintenance.

Performance Indicators Review

Based on the APP review, there is no **performance indicator(s)** which seek to encourage the utilisation of the state-owned properties through reducing the number of unutilised buildings.

However, the sector has been seen to **rely more on the leased properties** which is not aligned to their mandate.

Examples of issues raised

Examples: The Bathulie Office in Free State which was utilised as a clinic by the local municipality since 2008 was **surrendered to DPWI due to lack of maintenance**. This building was then left unutilised.

In the same geographical area, we noted that the department of social development (client department) was leasing the building from the private landlord **spending R392 049 p.a.** with escalation of rate of 7,5% p.a.

A property maintenance plan could have avoided such circumstances where the private lease is preferred over the government state asset resulting in DPWI **incurring unnecessary expenditure**.

Based on the fact that Bathulie building is currently available for use, it will be ideal that DPWI prioritise maintaining and lease these buildings to Social Development instead of relying on private lease.

For example, CIVITAS Health Building (**PMTE: Custodian**) was not adequately maintained over the past years, which ultimately resulted in the department of labour declaring the **building unsafe and unhealthy for occupation** by employees of the department of Health (DoH). This was despite the refurbishment of **R180 million** already being spent on the building.

The DoH eventually evacuated the building and entered into a 7 years private lease with a total committed funds of R440 million (current year expenditure: R76 million).



Vandalized buildings



Overall: An estimated number of 51 properties have been reported as vandalised across all the provincial departments with the Northern Cape reporting 25 properties. While KZN indicated only 10 damaged properties.

DPWI seems to be incapable of maintaining and preserving government properties. The longer these properties remain vacant the more prone they become to vandalised.

Moreover, it is concerning that a majority of vandalised properties are schools that have **been burnt down indicating lack of safety measures** to reduce the exposure of government property to the risk of fire.

Example: In the Northern Cape, 11 schools were reported to be burnt or vandalised resulting in the need for learners to be accommodated in other school zones, including Anderson Primary School which used to enroll 922 pupils.

Root causes

Properties **no longer meeting client department** requirements due to no preventative maintenance.

Properties remaining **vacant for long periods** of time due to having no asset management plan

Lack of proper safety measures on the property as the majority of the vandalized properties **were not safeguarded** at all if any safeguard was in places it was only a fence.

Regular property assessments not performed on the assets

Impact

Impact

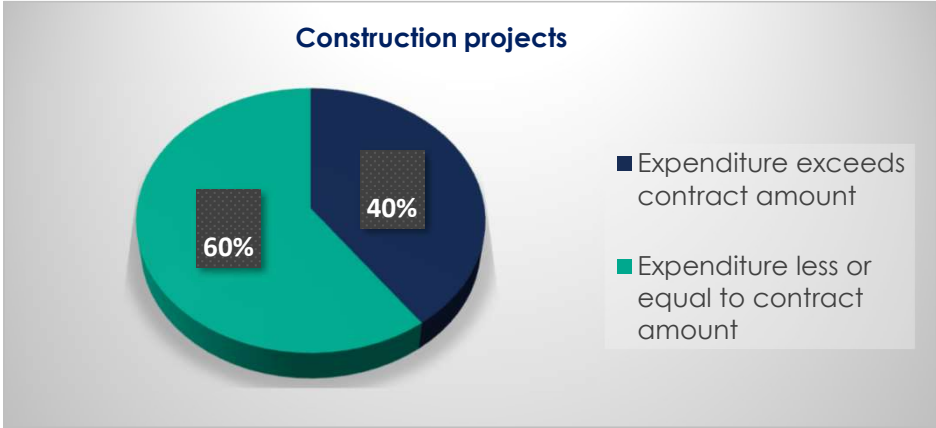
Costs such as rates and taxes are being **incurred on vandalised buildings** e.g. R217 995 was spent on vandalised state owned residences situated in the NC valued at R6 209 000

Reduction in the value of use of the building as extensive refurbishment will be required to plan for the building for occupancy

DPWI Plans: The departments have no appetite for fixing and repairing the vandalised buildings as their intent is to dispose the buildings.



Construction project analysis



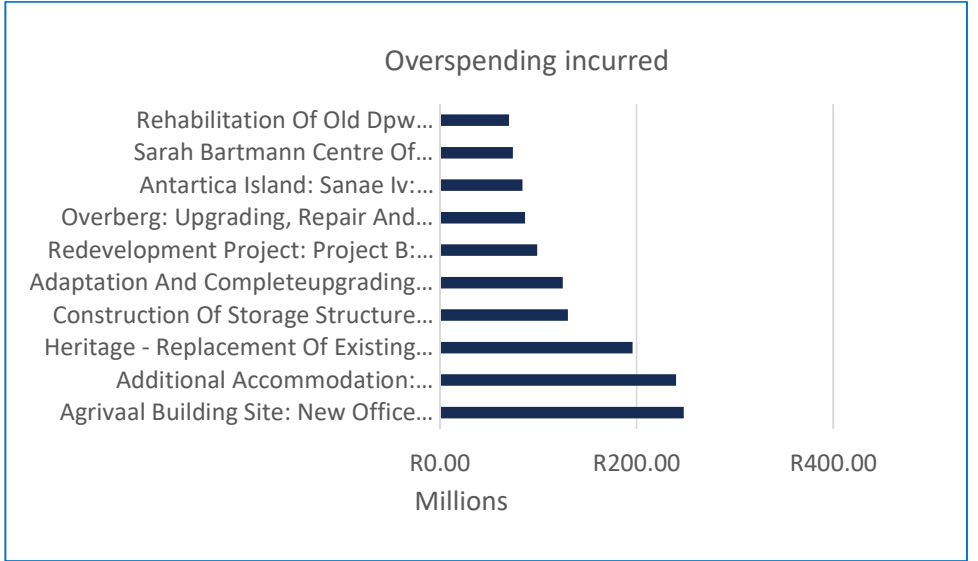
As depicted above, out of 483 construction projects which have not been finalised as at 31 March 2022, expenditure incurred on 193 (40%) projects **exceeded the budget** by an amount of **R3 billion**.

This is due to **weaknesses in the planning stage** which results to unexpected costs being incurred through re-measurements, extension of time with costs and replace of contractors due to non-performance.

Furthermore, project **managers failure to monitor projects regularly** has been a contributing factor to overspending which could have been easily avoided.

Overspending incurred

The 10 top contractors depicted below account for 42% (R1,3 billion) of the total overspending on construction projects. Which are still committed and expected to incur expenditure in the coming years.



Example: The Agrivaal building site project (construction of new office) awarded to a contractor for an amount of R458 million and has been finalised with an expenditure of R706 million to date resulting in an **overspending of R247 million**.



Budget vs Expenditure Analysis

Performance Indicators Review

Based on the APP review, **only two (2) departments** (National & NC) measure the number of projects that are completed within budget. This is concerning as it shows that the sector is **not monitoring their projects** to ensure that they are completed within budgets.

A further analysis of those departments that report on indicators also revealed that the **expenditure is compared with the budgeted amount after taking into account all the authorised variations** instead of the original budget amount.

Impact

- The exceeded expenditure incurred on construction projects **could be allocated to the shortfall** in the maintenance budget of state assets
- The overspending takes **away the budget from other critical projects** required by the community.

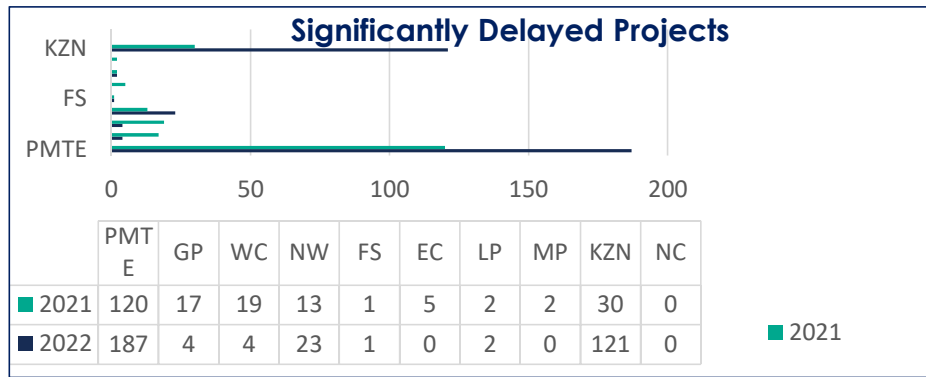
Root causes

- Work measured provisionally is re-measured during the construction stage
- Additional scope of work is included through variation orders.
- Extension of times due to disruptions in the construction process
- Delayed projects resulting in the increase in material prices



Significantly delayed projects

Overall sector Analysis



Overall message: As depicted, PMTE is still leading with the highest number of significantly delayed projects followed by the KZN and North west.

We have noted a decrease in the projects allocated by client department to DPWI where clients are **opting to conduct construction** and maintenance of the buildings on their own. This was caused by **high significant delayed projects** that affect the client department's **ability to provide services to the community**

An **example** of such approach was noted in PMTE's annual financial statements where **SAPS opted to construct police stations on their own**. This is concerning for DPWI since it is their mandate to **provide accommodation to client departments**.

Definition of significantly delayed project

- Project has been **delayed by more than 50%** of the planned project period.
- Project **has not yet reached practical completion** status at reporting date.
- Projects that are 'completed', 'cancelled' or in the 'planning and design stage' **are excluded** from the population.

As at 31 March 2021 significantly delayed project definition changed as follows:

- From projects delayed by 6 months to project delayed by more than 50% of project duration.

This is not a true reflection since long term projects (e.g. 5 years) would not be reported as significantly delayed even though that been be delayed for more than a year.

Performance Indicators Review

- Based on the a APP review, only two (2) departments (National & NC) measure the number of projects that are completed within timelines hence the **sector is not monitoring their projects** to ensure that they are completed within timelines.
- A further analysis revealed that the **timelines were measured using the updated project completion date after taking into account all the authorised extension of times** instead of using the original completion date.



Overall sector Analysis



Reasons for significantly delayed project

- Late site handover to contractors by DPWI
- Contractors experiencing cash-flow problems
- Default and poor performance by contractors
- Delays in issuing working drawings by consultants
- Delays in approving changes in scope of work
- Extension of time due to civil unrest and natural weather conditions

Due diligence analysis conducted on the contractors using the CIDB database on delayed projects revealed that:

- Some contractors with delayed project have a registration status indicating that they are **either expired or suspended**.
- This raises concerns regarding the **communication** between DPWI and CIDB to determine if all contractors that are currently used still complies with all CIDB requirements.

Example: A magistrate court project has been delayed by more than six years and resulted in **overspending of R23 722 128** where the overall expenditure of R118 464 720 exceeds the budgeted amount of R94 742 592.

Reason for delay: The reasons for delays included **late site handover to contractors, delays in issuing working drawings** and **extension of time due to civil unrest**. To date 12 extension of time claims **amounting to R15 881 252** (654 days) were submitted to PMTE.

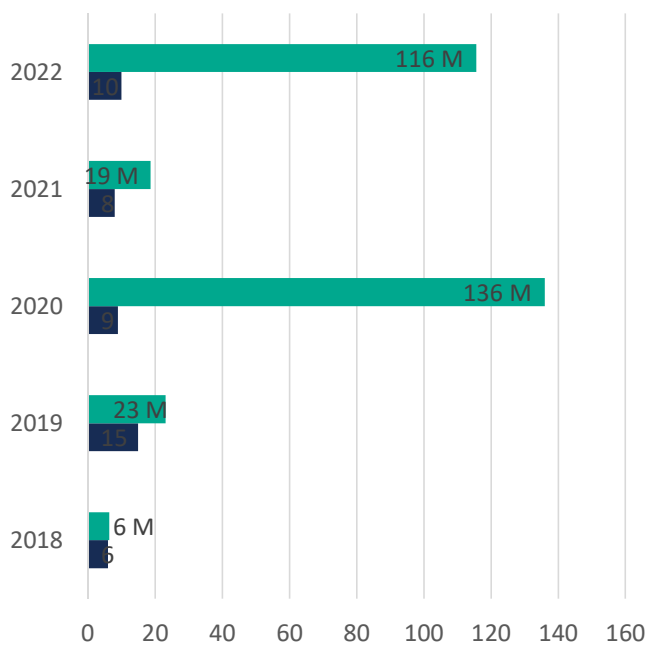
MI consideration: Material irregularity (MI) was raised where the **delays from extension of time (124 days)** resulted in the **financial loss of R3 million**. This was due to extension of time relating to civil unrest, riots and strikes with a financial impact which was approved in contradiction with clause 29.1 of the JBCC resulting in the non-compliance with laws and regulations.

Impact: The project **has not been completed to date** resulting in the community not having a magistrate court to deal with justice matters that affect the community and having to travel to long distance to the nearest magistrate court.



Overall sector Analysis

Cancelled projects over the 5-year period



	2018	2019	2020	2021	2022
Project value in Millions	6	23	136	19	116
No of projects	6	15	9	8	10

■ Project value in Millions ■ No of projects

Overall Message

As depicted on the graph, an analysis of the project register **over the period of five (5) years** revealed the following:

- 48 projects amounting to **R300 million** have been cancelled and impaired in the past five-year period.
- These majority of projects were cancelled at the design stage and the amount incurred relates to consultant fees charged.

Reasons for cancellations:

- Budget constraints, cost of work deemed too high and projects under investigation

It is concerning that the state has lost money on projects that have been either abandoned or halted at the design stage.

This is an indication of **poor needs analysis** done at the design in order to ensure that less funds are incurred before the project is initiated.

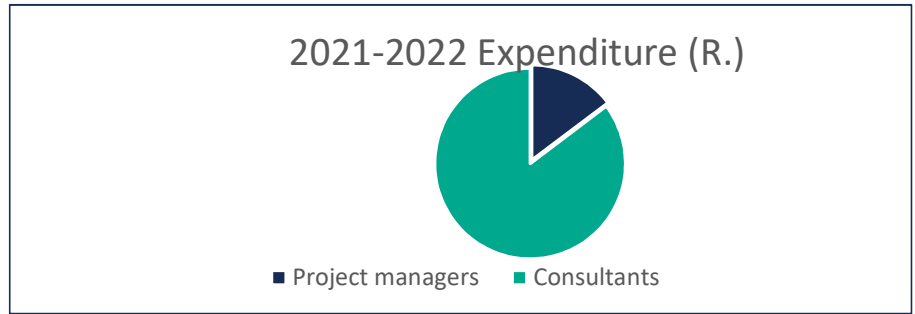
Furthermore, in certain instances, **delays in the planning stage** by PMTE results in the client department taking the project back.

Example: Upgrading and refurbishment of the Military Health Training Formation project was cancelled on the 18 May 2021 at the design stage and an amount of **R103 million** was already spent on the project.

The project is currently being assessed for material irregularity. The results will be reported on the 2022-2023 audit period.



Construction project management analysis



The construction project management unit is responsible for the project management of construction projects and providing strategic advice, guidelines and support to regional offices on quality project management.

Based on PMTE project management expenditure analysis, it is evident that the entity **heavily relies on the use of consultants** to monitor the progress and the work performed on projects. This mainly due to the specialised skills or services required and the limited capacity within the unit. However, **accountability is not placed on consultancy** once a project is significantly delayed or poorly managed. It should further be noted that

Construction project management analysis

Challenges faced:



- Strike action by SMMEs & workers
- More work required than the allowance in the BOQ
- Inclement weather
- Delay in the handing over of site
- Inability to obtain materials & goods to proceed
- Late appointment of required specialists
- Outstanding information

Example: The Sarah Bartmann Centre of Remembrance in Port Elizabeth project has been delayed for five years since its inception and it has not yet been completed.

The expenditure incurred of R238 376 500 has already significantly exceeded the budgeted amount of R164 386 250 by 45%. An irregular expenditure amounting to **R21 Million** has been disclosed on the annual financial statement.

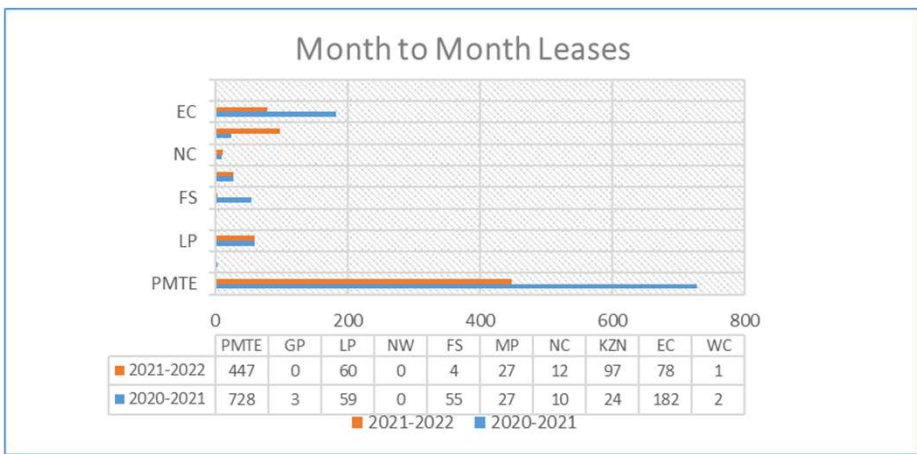




Management of private leases



Month to Month Leases (MTM)



As depicted above, there seems to be an **improvement** in the number of month to month leases as compared to the 2020/21 financial year.

Noteworthy, is the **Damon building** in the **Free State** which had been on MTM since 2007, the department has since vacated the building and relocated to a state-owned building.

Furthermore, we commend **PMTE** on **re-negotiating favourable lease terms** on the **Armcor** building occupied by DoD which had been on MTM for 17 years. The new 5-year contract, will result in a saving of **R32 million** per annum and **R182 million over the lease term**.

However, It remains a concern that the sector **continues to rely on MTM leases as a permanent solution for managing leases**.

The sector decreased the MTM leases through entering into **short term contracts (1-2yrs)** with the same landlords on the **same lease terms** (escalation % and rate per m²).

Therefore this **has not resulted in the desired savings/significant cost savings** as the market was not tested for more favourable lease terms.

In the **Eastern Cape and Limpopo provinces**, the decrease was as a result of approval granted by their respective Provincial Treasury to deviate from procurement process **by extending duration of the lease agreements on the same lease terms**.

Example: The **Hallmark building** occupied by **Home Affairs**, was leased from Nov 2009 – Oct 2017 (20538sqm, 10% and R77 per m²). The lease has been on **MTM for 4 years**, until Feb 2022, on the same lease terms as the original lease agreement. In an attempt to reduce MTM, in March 2022, the lease agreement was extended by 1 year on the same lease terms.

On 1 March 2022 the rate per m² had escalated to **R241** while the average market rate for a similar building in the same area was **R60 per m²** (Rode Report 2020:01). This has resulted in a loss of about **R44,6 million per annum** when one compares to market rates.

Month to Month Leases (MTM)

Example: The **Mineralia building, occupied by PMTE JHB RO, has been on MTM for a period of 9 years** on the same lease terms (8310 m² and 10% escalation) and as at 31 March 2022 the rate per m² had escalated to **R206**.

The department of mineral resources (**DMR**), who are in the same building with similar lease terms requested to move due to high lease rentals. A competitive process was then followed to lease new office space within a 500m radius.

The DMR lease agreement was entered at a rate per m² of R95 and escalation of 6% pa, this resulted to a significant saving. Even with such information at their disposal, PMTE made no attempts to renegotiate the current **R206 rate** to market related rates. Alternatively, they could have gone on competitive bid process as the market had indicated that PMTE is paying more than 2x what the market is offering.

The sector continues to make a **loss of R11million p/a** by not renegotiating lease terms to be in line with what the market offers.

The over reliance on MTM and refusal by landlords in renegotiating monthly rentals results in the sector **paying rental rates that are higher than the average market rate**.



*National Treasury office locked as a result of PMTE not paying lease rentals as landlord didn't agree to **negotiate favourable lease terms**.*

Cause

In an attempt to eliminate MTM, The minister of Public Works and Infrastructure instructed the PMTE to stop paying landlords which have lease agreements that are on MTM as they have failed to negotiate favorable lease terms.

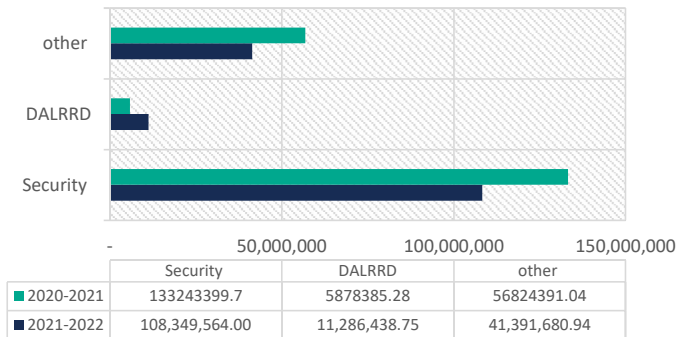
This resulted to landlords locking their offices and took the minister to court on an urgent basis. The court instructed PMTE to pay the outstanding rent.

Impact

This resulted to user departments not being able to carry out their mandate. **The state attorney offices were also closed therefore there was a direct impact on service delivery.**

Overpayments (PMTE)

Overpayment comparatives



There has been a **slight improvement** in the lease overpayment balance as disclosed on the PMTE annual financial statement. This may be attributable to a service provider which was brought in after the prior year audit outcomes to assist PMTE in resolving overpayments and recovering losses made.

However, the **impact** of the service providers interventions is **yet to be realised** as PMTE made **additional overpayments of R 161 million in the current year.**

Root causes

- **System deficiencies** on the automated integration controls between Archibus and SAGE payment system
- Manual intervention by officials
- Lack of adequate reviews on data captured on the Archibus system and payments made to landlords
- Decentralised operations and **lack of accountability** by senior officials
- **Lack of co-ordination** between REMS unit which is responsible for acquiring and capturing the leases on Archibus and finance unit who oversee the payments.
- **Reactive** instead of proactive controls implemented to combat overpayments

Impact on Material Irregularities

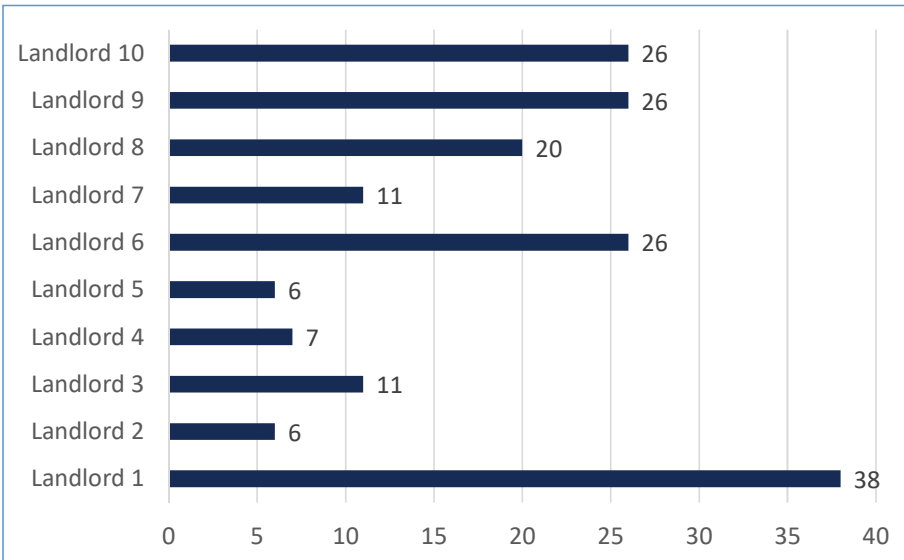
- ❖ To date, two (2) MI notifications have been issued and accounting officer is taking steps to recover the losses.
- ❖ The total losses made on the above amounted to **R14,7 million.**
- ❖ A number of additional MI notifications is underway.

Example: in a lease agreement between PMTE and **private landlord** on behalf of **SAPS**, the landlord was overpaid an amount of **R26 312 692** in December 2021. This indicates that culture of overpayments within PMTE continues.

The above amount was claimed from SAPS and subsequently paid. This amount could have been used for service delivery.

Market Analysis (PMTE)

Top 10 suppliers and number of leases



10 landlords who account for 8% (177 of 2194) of the total PMTE leases received payments amounting to R2,2 billion of the total R4,6 billion paid in the current year.

When taking into account payments made to the subsidiaries of these landlords, more than 50% of total payments made on leases would be made to 10 landlords.

Landlord 4

#	Lease code	m ²	Rate per m ²	Lease status	escalation %	grade	Contractual conditions
1	12752	4 131,82	R158,00	MTM	10	B	Similar conditions
2	4101	9 452,00	R143,00	Active	6	B	Similar conditions
3	13957	2 264,00	R110,00	Renegotiated	6	B	Similar conditions
4	4103	19 658,00	R154,00	Active	6	B	Similar conditions
5	13847	12 292,00	R117,00	Renegotiated	6	B	Similar conditions

Example: PMTE leases five (similar) buildings from **Landlord 4** in the same office park (Eco origins) with the same tenant, however these buildings are leased at significantly varied rates.

Three of these buildings have rates that **significantly exceed the market rate of R117 per m²** (Rode Report 2020:01). Further, the building with the highest rate per m² is on MTM and the entity has not renegotiated the lease agreement for favorable rates.

At the inception of lease 4103, in December 2018. The entity had at its disposal the rates per m² of the other four leases mentioned above, and the average rate per m² of these leases was R115. The market rate at this time was R103 per m². However, PMTE entered into this new lease at R129 per m². Therefore have been paying the landlord at rates higher than market since the beginning of the lease

Landlord 4 is charging on average R136 per m² for five buildings when the market rate is R117 per m²



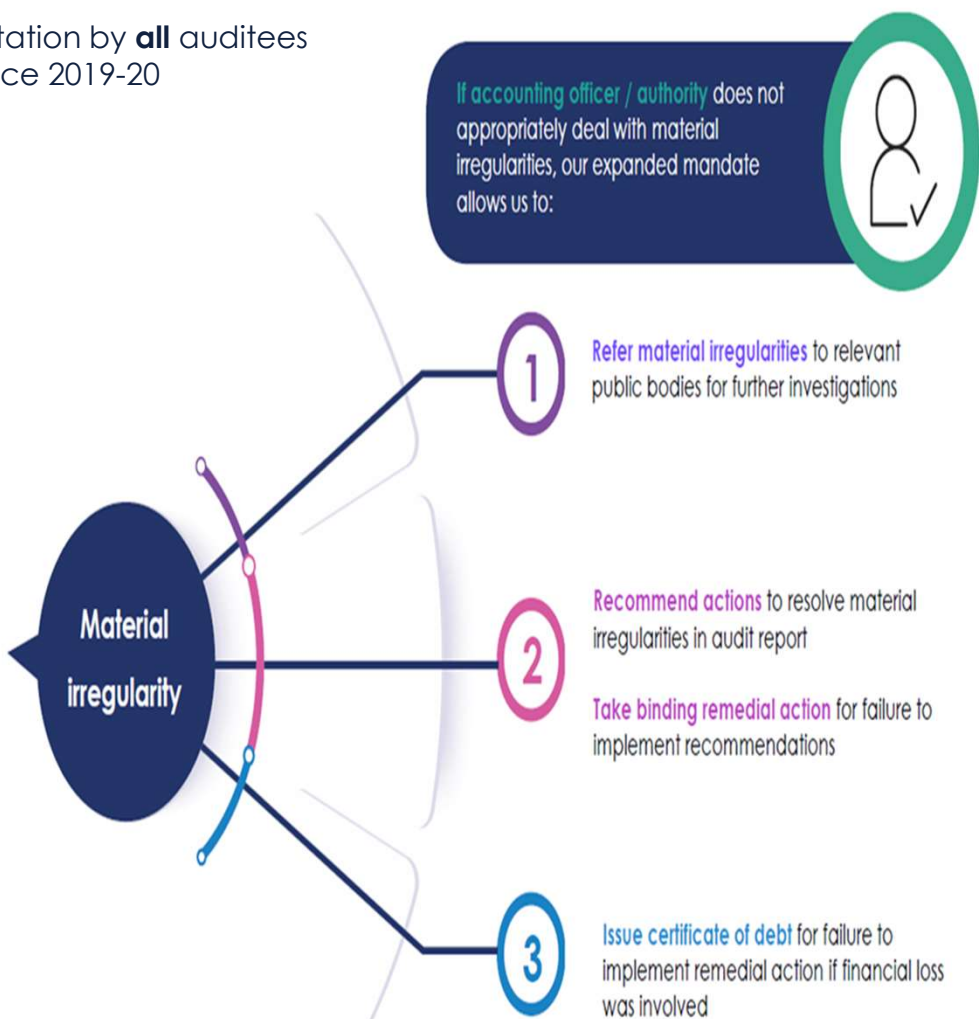
Material irregularities



Overview of the Mis in the portfolio

PAA implementation by **all** auditees in the sector since 2019-20

means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the Public Audit Act that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource, or substantial harm to a public sector institution or the general public



Observations of impact from MI process:

The **MI committee was established** to identify areas where potential MIs may occur and **implement pro-active measures to prevent the MI from occurring** (DPWI, PMTE).

Investigations were initiated to **unearth the root causes** of the irregularities and **consequence management instituted** against implicated officials (DPWI, PMTE)

Internal policies were enhanced with respect to state events and state funerals, where segregation of duties which involved having some officials physically attend the event/funeral to verify all the items as per the quotation and invoice have indeed been received (DPWI).

Delays in the disciplinary proceedings against some officials were noted, this was due to the implicated officials obtaining an interdicts on the completed investigation reports which require the auditee to challenge it in court prior to proceeding with the process of recovering the financial losses (PMTE).

Lease overpayments have not been resolved due to some officials continuing to **circumvent the payment systems**. This meant that overpaid landlords continued to be paid and losses were not fully recovered (PMTE).



Identified MIs – next steps and responsibilities

1 AO/AA is dealing with MI

AO/AA... implements the committed actions to address the MI and improves controls to prevent recurrence

AGSA... follows up in the next audit if actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

2 MI is referred to a public body

AO/AA... cooperates with public body and implements any remedial actions / recommendations made. Improves controls to prevent recurrence

AGSA... provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/ recommendations

3 Recommendation included in audit report

AO/AA... implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA... follows up by stipulated date if recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

4 Remedial action issued

AO/AA... implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

AGSA ... follows up whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days



Executive and oversight

Executive... monitors progress and supports AO/AA in addressing the MI and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes



Executive and oversight

Executive... supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

Oversight... monitors progress with investigation and calls public body to account for undue delays in investigation.



Executive and oversight

Executive... monitors progress and supports AO/AA in implementing recommendations and improving controls

Oversight... request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes



Executive and oversight

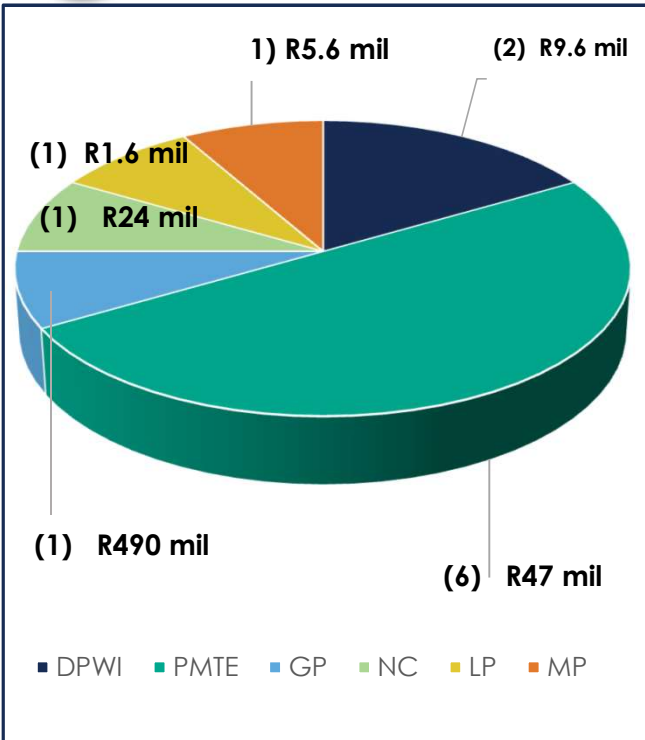
Executive... monitors progress and supports AO/AA in implementing remedial action and improving controls

Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes

Material irregularities identified



Sector MIs



2021-22: NC(1) MP(1) GP(1) PMTE(1)

2020-21: PMTE(3)

2019-20: DPWI (2) PMTE(2) LP (1)

1

Notifications issued to AO

MP (1) – Overpayment by exceeding BoQ quantities
 NC (1)- Expenditure exceeding budget
 GP (1)- Refurbishment costs of a private hospital without refund and not used.

2

Responses received & appropriate

LP(1) – Tender awarded to a bidder who did not score the highest points

4

Follow up Recommendation

DPWI(1): Payments on state events exceed contract amounts. The recommendations were implemented, the investigation has been conducted, recovery process for financial loss commenced.

3

Recommendation stage

PMTE(1): Assets not safe guarded for Leeukop prison.

5

Actions taken

DPWI(1): Payments on state funerals exceed contract amounts - Disciplinary process ongoing, recovery process in progress as per finalised investigation
 PMTE(1): Beitbridge unfair procurement process - Disciplinary finalised and employees charged, recovery of financial loss is still ongoing through SIU.
 PMTE(1): Beitbridge payment not in line with BoQ - Disciplinary finalised and employees charged, recovery of financial loss is still ongoing through SIU.
 PMTE(1): Lease overpayment on building used by DoD - Payments were stopped in order to recover the loss, implicated employees were disciplined, consultants appointed to determine the full extent of overpayments.
 PMTE(1): Lease overpayment on building used by department of rural development and land reform - Payments were stopped in order to recover the loss, implicated employees were disciplined, consultants appointed to determine the full extent of overpayments.
 PMTE(1): Incorrect approval of extension of time on Magistrate Court project - Recovery through consultants is in progress, employees implicated could not be disciplined as one retired, on

6

Resolved

None.



KZN Flood Special report



WHAT WE FOUND – KZN STATE BUILDINGS (PMTE)

State buildings

65 state buildings (48 projects) were assessed to be damaged in KwaZulu-Natal and the Eastern Cape. Out of the 48 repairs and maintenance projects planned, 43 projects were **completed**. Selected **20 KZN projects to the value of R5 810 271** for testing for which **17** projects were still in progress and **3** were completed as at 19 May 2022.



Damaged buildings due to KZN disaster floods)

Competitive process to be followed in appointing contractors by taking through benchmarking prices against the market to obtain the best prices for the work to be performed.

Possible unfair advantage to contractor: Indicators where awards might have been split to avoid a competitive bidding process as a contractor was requested on the basis of an emergency to provide separate quotes for five similar projects to be performed on the same property at a total value of R1,8 million.

Late submission of quotations, authorised amounts exceeded and open-ended appointments: the following instances were identified:

- Contractors submitting quotations after the projects had already commenced.
- Project amounts awarded were higher than what had originally been authorised without the approval of a delegated official.
- Contractor signed the appointment letter without any contract values being included

Little market analyses and competition: Contractors allowed to quote for work after their appointment and quotes were accepted at higher prices than originally authorised.

Risks identified through data analyses: The following occurrences were noted:

- Awards were made to three different contractors with the same director.
- Awards were made to contractors of which the directors are government employees or have business partners employed by the state.
- Contractors were appointed that have not done work for national and provincial departments during the last two financial years.

Impact

Instances of non-compliance are likely to result in a financial loss for PMTE. There is also an increased risk of projects being delayed or poorly executed.

Cause

Procurement processes were not followed to appoint service providers for the urgent repairs and maintenance projects that was required.

Actions/Recommendations

Instances of non-compliance to be investigated to determine and appropriately deal with the real root causes based on the outcome of the investigations. Irregular expenditure identified from the projects should be included in the 2022-2023 AFS.



Overall sector recommendations



Performance information	Facility Management	Construction Projects
<p>To Executive Authority:</p> <ul style="list-style-type: none"> Develop appropriate mechanisms to effectively plan and monitor delivery against the MTSF by the sector. Develop and include indicators on the APP for the 4 MTSF indicators not addressed at all. The sector should have standardized indicators aligned to the 2024 MTSF goals. Job opportunities created should be sustainable and include upskilling in order to achieve a sustainable reduction in the unemployment rate. <p>To Director General:</p> <ul style="list-style-type: none"> Record keeping should be enhanced to ensure reported number job opportunities are reliable. Measure the number of projects completed within budget using the original contract value instead of the revised budget. Measure the number of projects completed within agreed timelines using the initial planned completion date instead of the revised completion date. 	<p>To Director General:</p> <ul style="list-style-type: none"> Infrastructure investment should focus on pro-actively maintaining existing properties to ensure they are fit for use and reducing the number of privately leased building. Sector should strive to achieve the set target ratio of 80:20 of scheduled to unscheduled maintenance. Develop the property maintenance plan for all buildings with conditional assessment below 50%. Develop immovable assets plan for all unoccupied properties to outline how the vandalized and properties not fit for purpose can be refurbished to be fit for purpose. Assess the immovable asset portfolio against leased properties utilized by user departments to identify state buildings that meet user department requirements and reduce the dependency on private leases. Unutilized buildings should be safeguarded to avoid buildings being vandalized 	<p>To Director General(HODs)</p> <ul style="list-style-type: none"> Projects should be monitored regularly (e.g. monthly) against the original timelines. Consider establishing a committee responsible reviewing projects that has extension of time with financial implications for consistency within regions. Delays that results in the extension of time with cost e.g. late site handover should be investigated early to determine the real root cause and implicated officials should be disciplined. Develop the transfer of skills plan for project managers which aim to reduce reliance on consultants to project monitoring. Perform an investigation on all cancelled projects (Impaired) where the significant amount has been spent to determine the extent of fruitless and wasteful expenditure.
<h3>Management of private leases</h3>		
<p>The executive authority and the accounting officer should refer leases as a whole to SIU for investigation especially in relation to mismanagement of leases that result in recurring overpayments.</p>	<p>The accounting officer should make sure that the reduction of month to month leases is accompanied by reduced rates that are aligned to market rates. The accounting officer should take decisive actions on employees who override the ARCHIBUS and SAGE systems which results in overpayments and misstatements which resulted on leases being qualified.</p>	

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