The Budgetary Review and Recommendation Report (2021/22) of the Portfolio Committee on Public Works and Infrastructure on the Performance of the National Department of Public Works and its Entities, Dated 19 October 2022

The Portfolio Committee on Public Works and Infrastructure (the committee, PC on PWI) met from 11 - 13 October 2022 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 (2021/22).
The assessment was based on an analysis of the strategic plan (SP 2020-2025), annual performance plan (APP for 2021/22), quarterly performance reports for the 2021/22 financial year, the audited annual financial statements contained in the annual reports, and an engagement with the Auditor-General on its findings. The committee 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 the 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 process of oversight is a chain of interlinked events throughout the five-year term of this administration. These events consist of weekly oversight meetings, visits to projects sites, constituency activities, meetings with the auditor-general, including responses to questions that Members put to the executive authority for written and oral reply. The budgetary review and recommendation report (BRRR) reflects on all responses that the department provide regarding enquiries and recommendations that the committee made in its budget vote reports. This report is not the culmination of all oversight activities during the year; it is **an instance of assessing in order to strategically flesh out further steps to accelerate improvement in the work of the department** as the implementer of the policy that the executive authority makes. In this way the report is **an assessment of the 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

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

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.

We emphasize that the department is not directly involved in service delivery. It 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 of the use of allocated budgetary resources gives a glimpse 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 Public Finance Management Act (PFMA) makes an important distinction between the functions of the executive authority and the head official or accounting officer[4]. The executive authority "is responsible for policy matters and outcomes; this includes seeking Parliamentary … approval and adoption of the department's budget vote." The committee does oversight over the executive authority and how they lead the head official and the senior management team in translating policy into administrative programmes.

The PFMA continues by stating that "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."[5] The accounting officer must report to parliament on how the

[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).

[4] S1 and S36 of the PFMA.

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

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[6] and the National Treasury functions as a first level of oversight over the administrative responsibility of the DG. There are various in-year reports regarding revenue and expenditure that the Office of the Minister and the National Treasury should receive from the DG and the senior management team.
The reporting responsibilities of the DG is outlined in section 40 of the PFMA; full and proper records financial statements must be kept according to prescribed norms and standards, and at various times during the financial year be submitted to the AG for auditing, National Treasury, the executive authority and parliament[7]. It underscores the work of this committee (PC on PWI) as the second level of oversight. The Auditor-General of South Africa (AGSA) functions as the third level of oversight. The committee interacts with the AGSA to deliberate on matters that may need attention as part of its oversight function. To date this collaborative work has been restricted to preparatory work for oversight over the annual financial statement and the annual report. Deliberations during the 2022 financial year led to a verbal agreement that this should happen on a more regular basis, possibly quarterly or bi-annually, so that we can further assist one another and the department to strengthen its work.

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.

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.

[6] Ministerial advisors, support staff, in combination with the Deputy Minister and support staff, is the Office of the Minister.
[7] All subsections of s 40 of the PFMA in this case, (1)(a) to (f), with the latter stipulating parliament and relevant portfolio committees.

2. The oversight events of the committee during the period under review. This includes:
    - the deliberations with the department and the executive authority and entities during the financial year under review.
    - The committee support personnel and chair had meetings with the Office of the Auditor-General to discuss trends that could be identified over the last few financial years.
    - It also conducted meeting focused on the audited Annual Financial Statements (AFS) in the Annual Report and on the performance track of the DPWI and PMTE in the financial year under review.

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

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 Department of Public Works and Infrastructure (thus from DPW to DPWI).

3.1. Infrastructure and Public Works – Entering a Defragmented Spatial Planning and Land Use Management Terrain

This five-year administrative term places much emphasis on investing in infrastructure. The President introduced this in the state of the nation address in 2019 saying that, "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].

The decentralisation of government into national, provincial and municipal levels – and further power fragmentations and contestations within the local government and construction sectors – provides role players a defragmented field within which they must manage infrastructure projects.

Already in 2011, this problem was addressed by the institutionalising of the Presidential Infrastructure Coordinating Commission (PICC) to unify infrastructure and the public works function between the different levels of government. Another measure to address the challenge of defragmentation of the public works and infrastructure as evidenced in the case of spatial planning shown above, 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 the department to the Department of Public Works and Infrastructure (DPWI).

The committee held a strategic planning session in which it discussed the Infrastructure Development Act of 2014, and how it may impact on its mandate. The following sections are in part informed by the insights derived from that session and oversight that focused on infrastructure as a component of the committee's responsibility.

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[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.

3.2. Infrastructure South Africa inside DPWI

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[11] 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[12] (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 Plans (APP) for the previous financial year 2021/2022 indicated that the DPWI would play a more impactful role "alongside the Infrastructure Investment Office in the Presidency ("IIO"), 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."[13]

5. ANALYSIS OF THE BUDGET AND ANNUAL FINANCIAL STATEMENTS

5.1. Budget under review for the DPWI

The budget allocation was R8.35 billion for 2021/22. This is an increase of 8 per cent in nominal terms, and 3.7 per cent in real terms (calculating the impact of inflation) from the

[11] 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.

[12] 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;"

[13] DPWI SP 2020-2025.

2020/21 adjusted appropriation of R7.72 billion. The budget represents approximately 0.1 per cent of the national appropriation by vote, excluding direct charges.
During the adjustment process, the budget allocation increased to R8.35 billion.

Expenditure Trend of Department for 2020/21 and 2021/22

Programme R' million	**Final Approp. 2021/22**	**2021/22 Actual Exp.**	**2021/22 Variance**	**2021/22 Exp. as % of budget**	**Fin al Approp. 2020/21**	**2020/21 Actual Exp.**	**2020/21Variance**	**2020/21 Exp. as % of budget**
Administration	504,6	416,5	88,1	82,5%	456,9	384,3	72,6	84,1%
Intergovernmental Coordination	58,5	44,2	14,3	75,5%	58,2	42,3	15,9	72,6%
Expanded Public Works Programme	2 921,0	2 811,5	109,5	96,3%	2 468,8	2 412,1	56,7	97,7%
Property and Construction Industry Policy and Research	4 781,0	4 757,2	23,8	99,5%	4 676,5	4 643,8	32,7	99,3%
Prestige Policy	89,1	52,8	36,3	59,3%	63,9	48,5	15,4	75,9%
Total	**8 354,2**	**8 082,2**	**272,0**	**,7%**	**7 724,4**	**7 531,0**	**193,3**	**97,5%**

Source: Department of Public Works and Infrastructure (2022).
The final appropriation reported in the Annual Report equals R8.35 billion and of this, the department spent R8.08 billion, or 96.7 per cent. This equals an under expenditure of R272.0 million (or 3.3 percent) of the total appropriation. The department reported that the under expenditure occurred under all five main programmes. At the same time Programmes 1 to 5, reported that the underspending was mainly due to: Compensation of Employees (delays in filling of vacant posts, and non-implementation of projected annual salary adjustments); Goods and Services; Transfers and Subsidies; and Machinery and Equipment, to be discussed below. Spending was recorded as R7,531 billion which is 97.5 per cent of the adjusted budget of R7,724 billion.
Programme 1: Administration received a final appropriation of R504.6 million and spent R416.5 million. This equates to under expenditure of **R88.1 million** or 17.5 per cent, by the end of the financial year as follows:

- R32.0 million – Compensation of Employees, due to delays in filling vacant positions.
- R52.0 million – Goods and Services mainly due to the nation-wide lockdown with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.
- R4.0 million – Machinery and Equipment due to delays in planned acquisition of assets resulting from unfilled vacant positions.

Programme 2: Intergovernmental Coordination received R58.5 million of the total Department allocation and spent R44.2 million, an under expenditure of **R14.3 million** or 24.5 per cent.
The **R14.3 million** underspending, is reported to be due to:

- R7.0 million – Compensation of Employees, due to delays in the filling of funded vacant prioritised positions and those vacated during the financial year.
- R5.0 million – Goods and Services mainly due to the nation-wide lockdown with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.
- R2.0 – Machinery and Equipment due to a delay in procuring boardroom systems and other assets aligned to the projected filling of vacant priority positions.

Programme 3, the **EPWP** received the second largest allocation after Programme 4, with a

total of R2.92 billion, of which 96.3 per cent or R2.81 billion was spent. It underspent by **R109.5 million** or 3.7 per cent.
The underspending of **R109.5 million** was reported as due to:

- R22.0 million – Compensation of Employees, due to delays in filling of funded prioritised positions and those vacated during the financial year.
- R21.0 million – Goods and Services which is mainly due to intermediary Management
- Fee Payment relating to the EPWP Non-State Sector Programme and outsourced services supporting the EPWP projects.
- R66.0 million – Transfers and Subsidies due to EPWP Non-State Sector programme
- payments being withheld, as a result of unfulfilled contractual obligations.
- R488 000 – Machinery and Equipment due to a delay in the planned acquisition of assets resulting from the unfilled vacant positions.

Programme 4: Property and Construction Industry Policy and Research received the largest allocation of R4.78 billion and spent R4.76 billion or 99.5 per cent of its allocation. The programme underspent by **R23.8 million** or 0.5 per cent, as follows:

- R17.0 million – Compensation of Employees mainly due to delays in filling of funded prioritised positions and those vacated during the financial year.
- R6.0 million – Goods and Services, mainly due to the nation-wide lockdown with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.
- R293 000 – Machinery and Equipment due to a delay in planned acquisition of assets resulting from the unfilled vacant positions.

Programme 5: Prestige Policy received an allocation of R89.1 million, of which R52.8 million was spent. It under spent by **R36.3 million** or 40.7 per cent as follows:

- R2.0 million – Compensation of Employees due to delays in the filling of funded prioritised positions and those vacated during the financial year.
- R30.0 million – Goods and Services mainly due to the nation-wide lockdown restrictions, which affected spending on State Events.
- R4.0 million – Machinery and Equipment is mainly due to lower than projected spending on the planned acquisition of assets.

The department reported virements amounting to R66 000. These funds were applied as follows during the year under review:

- R66 000 net increase to Programme 1 under Transfers and Subsidies for Households to offset higher than projected expenditure related to settlements of arbitration awards and leave gratuity payment for exit packages under Programme 3.
- R66 000 net amount reduction from Programme 3 under Transfers and Subsidies for Households to offset lower than projected expenditure for leave gratuity payments relating to exit packages under Programme 1.

Unauthorised Expenditure
The department reported no unauthorised expenditure for the 2021/22 financial year. The reported total cumulative unauthorised expenditure of R261.2 million has been submitted to the National Treasury to be considered for condonement by Parliament. This is the opening balance of R261.2 million in unauthorised expenditure from 2017/18 that was awaiting previously reported to await condonement by Parliament.
During the 2020/21 financial year, note 9.4 in the Annual Financial Statement (AFS) provides the following detail on the reported unauthorised expenditure:

- R174.1 million - under capital expenditure incurred towards building of schools, which is a provincial competency.
- R3.98 million - 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.

It must be noted that the department's report on the economic classification of the unauthorised expenditure and the analysis of the type of unauthorised expenditure for 2021/2022 awaiting authorisation per type under notes 8.2 and 8.3 of the AFS respectively, differs from the above referred to note 9.4 reported in the 2020/21 financial year.
Note 8.2 details the economic classification of the unauthorised expenditure as follows:

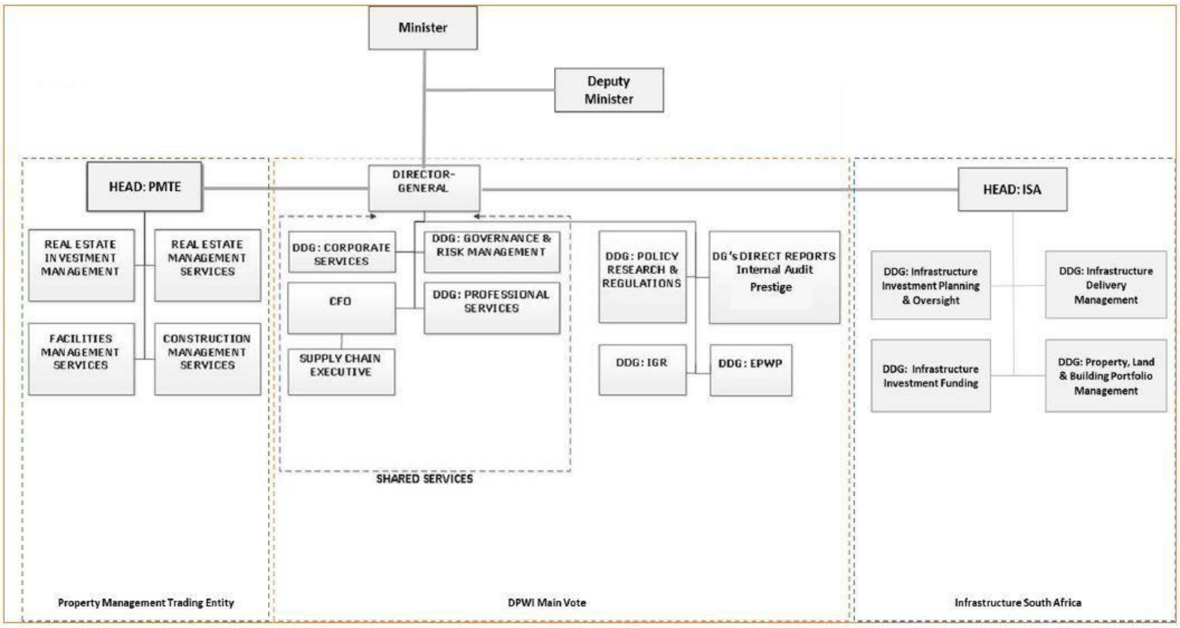
- R80.8 million – Capital.
- R178.1 million – Current.
- R2.3 million – Transfers and Subsidies.

Note 8.3 details the analysis of the type of unauthorised expenditure awaiting authorisation per type as follows:

- R83.1 million - Unauthorised expenditure relating to overspending of the Vote or a main division within a Vote.
- R178.1 million - Unauthorised expenditure incurred not in accordance with the purpose
- of the Vote or main division.

Human Resource Management

The organogram shows the department is headed by the DG as Accounting Officer, and Head of the PMTE. They utilise a shared services model for Corporate Services; Governance and Risk Management; the Chief Financial Officer (CFO); Professional Services and Supply Chain Management (SCM).
The department further included the Infrastructure South Africa (ISA) component in the organogram, which functions under the Head of the ISA when reporting in the 2021/22 financial year. The Head of the ISA also functions as the Chief Executive Officer of the Infrastructure Investment Office in the Presidency. It is not clear how the operational responsibilities of the IIO and ISA is divided in terms of oversight – this creates tension and a possible vacuum within which infrastructure projects may not be properly be reported on.
Organogram of DPWI, PMTE and ISA



The organogram indicates that the reporting line of the DG of the Department is directly to the Minister, while the two Heads of the PMTE and ISA reports to the DG. As mentioned, it is not clear how these reporting lines are managed, given that they appear to all be situated at the same level. In addition, note the mentioned tension in terms of responsibilities to the DPWI and the Presidency.

This committee scheduled a meeting in November 2022 to deliberate with the DPWI, ISA, the Development Bank of South Africa (DBSA), and National Treasury about the different roles each play in managing large Strategic Infrastructure Projects (SIPS) that were gazetted as bankable by the Minister of Public Works and Infrastructure.

The Annual Report shows that the department has a total of 769 posts, of which 670 were filled at the end of 2021/22 with another 30 filled positions additional to the organisational structure.[25] During the year under review, the vacancy stood at 99 unfilled posts. This translates into a vacancy rate of 13 per cent.

Employment and Vacancies per Programme

DPWI Programme	Number of Posts	Filled Posts	Vacant Posts	Posts Filled Additional to the Establishment
1: Administration	437	386	51	22
2. Intergovernmental Coordination	40	32	8	4
3. Expanded Public Works Programme (EPWP)	223	200	23	3
4. Property and Construction Industry Policy and Research	29	15	14	1
5. Prestige Policy	40	37	3	0
Total	**769**	**670**	**99**	**30**

The largest portion of the 99 vacancies falls under Programme 1: Administration followed by Programme 3: EPWP with a total of 51 and 23 vacancies, respectively. Programme 4: Property and Construction Industry Policy Research reported a vacancy of 14 posts, while Programme 2: Intergovernmental Coordination and Programme 5: Prestige Policy reported the lowest number of vacancies, at eight and three respectively.

Programme 1 also have the largest portion, that is 22 additional posts of the total 30 filled posts that is additional to the Establishment, followed by Programmes 2; 3; and 4 with four, three and one additional post/s respectively; while Programmes 5 reported no additional posts.

With the PMTE becoming a Government Component within the Department of Public Works and Infrastructure in 2014, a large portion of the personnel and function were shifted to the entity. This may explain the decline in the vacancy rate within the department.

Reasons for Vacancies

Termination Type	Number for 2021/22
1.Death	2
2. Resignation	46
3. Expiry of Contract	23

4. Transfers	0
5. Discharged due to ill health	0
6. Dismissal – misconduct	2
7. Retirement	6
Total	**79**

A total of 79 persons vacated positions in the department during 2021/2022; 46 resigned, and 23 contracts expired; two died; a further two were dismissed for misconduct; and six retired. The department reported employing three foreign workers for the 2021/22 financial year. These are:

- 1 - Administrative Office Worker.
- 2 - Professionals and Managers.

However, the department further indicates in the report that a total of 30 foreign workers were employed during the 2021/22 financial year. The foreign workers were employed under the following occupations:

- 1 – Administrative Office Workers.
- 1 - Elementary Occupations.
- 27 - Professionals and Managers.

Audit Outcomes

The department received an **unqualified audit opinion** (with emphasis of matters and additional matters) for the 2015/16, 2016/17, 2017/18, 2018/19; 2019/20 and 2020/21 financial years. In 2021/22, it received its seventh consecutive **unqualified audit opinion** with emphasis of matter and additional matters.

Matters of Emphasis:

Impairment of Receivables: The AG found an estimated impairment of receivables amounting to R62.0 million (R62 026 000), disclosed as a result of long outstanding debts which may not be recovered. This represents 72 per cent of total receivables.
Details of fruitless and wasteful expenditures under assessment (not included in the main note): R54.5 million (i.e. R54 541 470) spent on behalf of the Department of Basic Education (DBE) in relation to the School Beautification Programme, has been referred for investigation subsequent to the year-end. This was, as a result, of a statement made by the DBE prior to year-end, indicating that no school benefitted from this programme. Furthermore, DBE indicated that it does not recognise any expenditure made by the department on its behalf in relation to the Beautification of Schools Project, and any amount referred to as outstanding debt.

Other Matters:

The AG found that for Programme 3: EPWP, the reported performance achievements did not match the supporting evidence provided for the indicators reported in the Annual Performance Report. The AG found that some supporting evidence provided, differed materially from the reported achievement, and in other instances was unable to obtain sufficient appropriate audit evidence. Due to the lack of accurate and complete records, the AG was unable to confirm the reported achievements via alternative means. The AG could not determine if the achievement of 1 016 646 work opportunities (WO) as reported on the Expanded Public Works Programme - Reporting System (EPWP-RS) by Public Bodies (Cumulative) required further adjustments.
The AG could not determine whether the percentage of EPWP participation of designated groups of 69% Women, 41% Youth and 1% People with Disabilities as reported on the EPWP-RS by public bodies required further adjustments.
Annual Financial Statements and Annual Report: The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by Section 40(1) (b) of the Public Finance Management Act No.1 of 1999 (PFMA). Material misstatements on current assets identified by the auditors in the submitted financial

statements were corrected, resulting in the financial statements receiving an unqualified opinion.
Expenditure management: Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3.76 million (R3 759 000) disclosed in Note 24, as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. The AG indicated that the majority of the irregular expenditure disclosed in the financial statements was caused by salaries paid to the officials that were appointed irregularly per the Public Services Commission Investigation Report.

- Consequence Management: Disciplinary steps were not taken against some of the officials who had incurred fruitless and wasteful expenditure, as required by Section 38(1)(h)(iii) of the PFMA. This was due to investigations into fruitless and wasteful expenditure that were not performed.
- Internal control deficiencies: The AG reported on matters limited to the significant internal control deficiencies that resulted in the findings on the Annual Performance Report and the findings on compliance with legislation included in this report as follows:
  - Management did not adequately apply the Modified Cash Standards (MCS) Financial Reporting Framework in the preparation of the Annual Financial Statements. In addition, the appropriate level of management did not monitor adherence to the Developed Audit Action Plans in order to prevent repeat findings and improve internal reporting processes. Consequently, material adjustments on the statement of financial position were made in order to ensure that the financial statements are fairly and accurately presented.
  - Consequence management in line with the recommendations of completed Investigation Reports were not implemented in certain instances. Consequently, this has resulted in some of the officials who caused instances of irregular expenditure not being held liable.
  - Lack of proper record keeping by Public Bodies responsible for uploading data into the EPWP-RS system and inadequate review of data captured on the system, has resulted in materially misstated reported performance information in relation to Programme 3: EPWP. These controls would have ensured that supporting evidence for reported performance information is available in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance information. Furthermore, internal control processes to ensure smooth co-ordination of Projects Unit and the Monitoring and Evaluation Unit were not adhered to in order to ensure that material misstatements in relation to Programme 8: Construction Project Management, were prevented and detected timeously.

Material Irregularities: The AG reported on the status of previously reported material irregularities as identified through the audit as follows:

- *Expenditure on State events exceeded contract amount*:
  - The prices that were charged on the invoices for three State events that occurred from 6 July 2018 to 7 November 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process and the non-compliance resulted in a material financial loss of R825 832.
  - The non-compliance was identified with regard to TR 8.1.1, as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.
  - The Accounting Officer was notified of the material irregularity (MI) on 03 September 2020. Appropriate actions committed in response to the notification (i.e. to investigate the expenditure into State events, quantify the full quantum of the likely financial loss, identify responsible officials and initiate the process to recover

the financial loss) have not been implemented within reasonable time, based on the evidence of progress made per the Communication received from the Accounting Officer dated 07 May 2021.

Recommendations from the 2020/21 Audit Report of the Auditor-General:
The AG recommends that the Accounting Officer should take the following actions to address the material irregularity, which should have been implemented by 3 February 2022:

- The irregular expenditure should be investigated and the financial loss incurred quantified in accordance with the applicable instruction note(s) issued by the National Treasury dealing with irregular expenditure.
- Appropriate action should be taken to recover the financial loss suffered by the Department from the supplier.
- Effective and appropriate disciplinary steps should commence against any official that the investigation found to be responsible, as required by Section 38(1)(h) of the PFMA and in accordance with Treasury Regulation 9.1.3.
- The AG followed up with the Acting Accounting Officer and responses with supporting evidence were received on 31 August 2021 and 04 February 2022, which indicated that the following steps were being taken:
    - A Draft Policy Framework for Contract Management was introduced to be approved by 01 April 2022.
    - The Department has implemented a manual system where officials from Prestige Unit and Provisioning will manually compare quotation prices against scheduled prices before purchase orders are issued.
    - Director: Provision and Logistics has been mandated to review all invoices from Prestige Unit against pricing schedules and an official order to be issued to identify any anomaly.
    - Segregation of duties has been introduced with the Prestige Unit functions.
    - Furthermore, the Cost Norms and Standard Document has been drafted and sent to the Presidency for inputs as part of the Review State, Official and Provincial Official Funeral Policy Manual.
    - Management went through the payment batches to understand and identify who the responsible Project Manager(s) was/were and the official who approved the expenditure.
    - Management has written to the responsible officials to begin disciplinary actions in line with the applicable prescripts on discipline.
    - The Department has commenced with the processes of recovering the overpayment of R825 832 from Side Production (Pty) Ltd, via the State Attorney.
    - The Department is embarking on buying its own infrastructure and developing internal capacity to implement by itself, and also procure a panel of service providers that are to be managed on a quotation basis.

The AG determined that based on the assessment of the response and evidence presented, the Accounting Officer is taking appropriate steps to address the MI. The AG plans to follow up on the implementation of further actions taken, including the recovery of the loss and the finalisation of the disciplinary actions, during the next audit.

- *Price and quantity variances pertaining to the funeral related expenditure:*
    - The prices that were charged on invoices for some State Funerals that occurred between May 2018 and December 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process. In other instances, the invoice that was submitted by the supplier for payment purposes, included items that were not initially quoted on the pricing schedule, which was submitted by the supplier during the tender process. In addition, the quantities on the invoices in some instances differed from the quantities agreed to on the quotation, with no evidence of the additional items being requested by the Department.

- This resulted in a financial loss of R9.1 million (R9 121 374). The non-compliance was identified with regard to TR 8.1.1, as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.
- The Accounting Officer was notified of the MI on 02 September 2020 and the appropriate actions committed in response to the notification provided 7 May 2021 are being implemented based on the evidence of progress made per the Communication received from the Accounting Officer dated 10 June 2022.
- Management conducted its own investigation into the matter to establish the accuracy of the issues raised by the AGSA. The investigation was finalised on 29 March 2019, confirmed the AGSA findings, and further identified additional irregularities with respect to each funeral.
- The Department opened a case with the South African Police Service (SAPS) for civil recovery against the supplier as recommended by the Investigation Report. The case number is CAS 793/2020 opened at the Pretoria Central Police Station. The Investigation Report recommended disciplinary actions against the responsible officials. The matter was further referred to the Special Investigating Unit (SIU) on 18 September 2020.
- An investigation by the Special Investigating Unit (SIU) on the matter commenced in 2021, and indicated that the SIU will pursue a civil claim against the supplier. However, the SIU has not made the Report available to the Department.
- The Communication noted that the Department approached the State Attorney to appoint legal counsel to assist the Department with disciplinary proceedings against the three officials still in the employ of the Department. The disciplinary proceedings are currently under way for the suspended Director-General and is being handled by The Presidency. The hearings for the other two officials implicated in the irregularity is being handled by the State Attorney. As at the date of this report, the disciplinary hearing had not been concluded against the officials.
- A combined summons have been filed at the Gauteng High Court (Pretoria) for case number 20987/22, in a matter between Minister of Public Works and Infrastructure (Plaintiff) and the supplier on 01 April 2022. The summons is in relation to payments made by Department of Public Works and Infrastructure in excess of the agreed pricing schedule provided by the plaintiff during the tendering process stage by the supplier. This covers the two funerals in which the supplier was used to render services for the Mama Veronica Sobukwe funeral (R371 186) and the M Mtslali funeral (R124 315). The bulk amount of the outstanding financial loss to be recovered is being followed up by the SIU.
  The Accounting Officer wrote to Treasury (NT) on 27 January 2022 requesting the supplier and its director to be restricted from doing business with the State due to fraudulent misrepresentation when submitting invoices for payment in respect of State Funeral Services. The application was referred back by NT on 31 Mar 2022 on the basis of the restriction being on PPR of 2017. The department is currently implementing the recommendations made in the response by NT.
- The Accounting Officer approved the Contract Management Policy on 11 April 2022, which sets out guidelines on contracts to enable effective delivery of goods, services and works in accordance with the terms and conditions of the contract.
- The AG will follow up on the investigation and the implementation of the planned actions during the next audit.

Other reports: Investigations

In addition to the investigations relating to material irregularities, the AG drew attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the financial statements reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of the AG's opinion on the financial statements or findings on the reported performance information or compliance with legislation.

The AG highlighted the following:

- Investigation on Procurement Fraud and Irregular Payments' allegations that were made to the transportation companies. The transport companies are responsible for the transportation of Members of Parliament and learners to and from the Parliamentary Villages, Parliament and schools. The investigation was concluded in the current financial year.
- Investigation into the allegation of project mismanagement leading to the Department incurring Fruitless and Wasteful expenditure. It was alleged that an amount of R6.7 million (R6 689 725.96) was incurred as Fruitless and Wasteful expenditure for a project of repairing and maintenance at 1 Military Hospital. It was also alleged that electrical work was done at the first floor and was to be re-done during the upcoming project of refurbishment of the same first floor. This investigation was still ongoing as at year-end.

7. THE PROPERTY MANAGEMENT TRADING ENTITY (PMTE)

7.1 Background

The PMTE was established in April 2006, as part of a long-term reform programme to provide improved property management services to client departments. National Treasury allocated a capitalisation amount of R450 million to initiate the process. From the start the challenge was to deal with the maintenance backlog of the immovable asset portfolio. This meant that all properties had to be recorded on a regularly updated national immovable asset register (IAR). It further meant that the immovable asset registers at municipal and provincial levels of government also had to be properly compiled and regularly updated.

The main function of the PMTE is always referred to as the execution of all property management and maintenance related functions. The PMTE should do this on behalf of national government departments; this includes property rate and service related payments to municipalities. What is clear is that this more obvious iteration leaves the consistent task of coordinating the updating of municipal, provincial and national IARs in the shadows. This coordinating task requires a PMTE that has a footprint in every region and province of the country. That footprint is to be found in the eleven regional offices (ROs) that are headed by regional office managers reporting to the national DPWI. This is the network of offices within which the actual work of the PMTE, both the coordinating of the IARs and actual property management and maintenance related functions on behalf of government departments should take place.

Even though it was established as early as 2006 as an internal entity of the department, it only started performing as an entity in 2014. Since then, its structure and functions have not been fully realised. To fully realise its function, the entity needs a full contingent of qualified, experienced property maintenance, information and communication technology (ICT), construction project, and contract management specialists. Such skilled personnel are hard to source and retain as they are absorbed by national and international property sector companies.

The PMTE has therefore not been fully operational as a trading entity that can properly manage the government's immovable asset register (IAR). It has since 2014 achieved some progress but struggles with consistent leadership that is required to overcome its human resource and financial management challenges.

The full operationalisation is further facing the challenge of managing the property portfolio of government across eleven DPWI regional offices (ROs) headed by Regional Office Managers

(ROMs). These offices ensure that the PMTE and DPWI has a footprint in main metropolitan municipalities in each of the nine provinces. In spite of this benefit, it also causes fragmentation of an entity that at the initial stages of its operationalisation may require a more unified centralised leadership and management. There is a need for this to be managed by the political leadership of the DPWI, National Treasury, and the Department of Public Service and Administration (DPSA) and the Public Service Commission. Once a strategic conceptualisation is translated into a policy path, it should be further fleshed out into an implementable implementation by the Director-General, senior management and Regional Office Managers.
In the following sections we deal with how these challenges have manifested itself by looking at in the expenditure for this financial year, human resources, and further tasks required to strengthen the PMTE learnt from the audit opinion of the Auditor-General.

7.2. Expenditure Analysis for 2020/21 to 2021/2022

Programme		2021/22				2020/21			
		Final budget	**Total Expenditure**	**Variance**	**% Spent**	**Final budget**	**Total Expenditure**	**Variance**	**% Spent**
		R'000	**R'000**	**R'000**	**%**	**R'000**	**R'000**	**R'000**	**%**
1	Administration	895 670	864 938	30 732	97%	1 299 568	1 015 191	284 377	78%
2	Real Estate Investment Services	199 845	171 358	28 487	86%	181 360	177 700	3 660	98%
3	Construction Project Management	5 851 154	4 190 729	1 660 425	72%	4 248 179	2 980 979	1 267 200	70%
4	Real Estate Management Services	12 634 428	11 547 487	1 086 941	91%	12 770 725	11 558 965	1 211 760	91%
5	Real Estate Information and Registry Services	59 499	57 006	2 493	96%	96 395	59 998	36 397	62%
6	Facilities Management Services	3 001 581	2 915 966	85 615	97%	3 523 311	2 705 128	818 183	77%
Total		**22 642 177**	**19 747 484**	**2 894 693**	**87%**	**22 119 538**	**18 497 962**	**3 621 576**	**84%**

Source: DPWI Annual Report 2021/2022
The PMTE received an allocation from the Department amounting to R4.35 billion for 2021/22, which is an increase of R109.7 million from the R4.24 billion adjusted allocations of 2020/21. The allocation remained unchanged during the adjustment period. The R4.35 billion was transferred to the PMTE from the main budget vote (DPWI), Programme 4: Property and Construction Industry Policy and Research.
The entity reported collecting an estimated R17.15 billion in revenue for the 2021/22 financial year. The final appropriation to the entity was R22.64 billion, which is an increase of R522.6 million from the R22.12 billion received in 2020/21.
At the end of the 2021/22 financial year, the entity spent R19.75 billion (an under-expenditure of R2.89 billion or 12.8 per cent) for 2021/22. This is mainly due to under-expenditure against Infrastructure Projects (under Programme 3 Construction Project Management), Property Rates (under Programme 3 Real Estate Management Services) and Goods and Services. Reasons that the PMTE provided for under-expenditure is dealt with below under each programme.

Programme 1: Administration

R895.7 million of the budget (or 4 per cent of the R22.64 billion) was allocated for 2021/22. The Programme spent R864.9 million, which constitutes an under expenditure of R30.7 million, due to the following:
Underspent on funds allocated for the acquisition of laptops. There was a delay in the acquisition laptops due to a shortage of stock in the country.

- The delivery of laptops has improved, but payment will only be made in the next financial year.

Programme 2: Real Estate Investment Services
R199.8 million of the budget (or 0.9 per cent of the R22.64 billion) for 2021/22. The Programme spent R171.4 million, which constitutes an under expenditure of R28.5 million:

- Due to the unspent funds that were allocated for the Development of Standard Guidelines for Architectural Services; and delays were experienced during the procurement process.
- The delay in the filling of vacant funded positions has also contributed to under spending.

Programme 3: Construction Management Programme
As the branch that manages construction of and maintenance to client properties, this programme received the second largest portion of the budget allocation, R5.85 billion (or 25.8 per cent of the R22.64 billion) for 2021/22. It spent R4.19 billion, which constitutes an under-expenditure of R1.66 billion. The PMTE explained this under-expenditure as being due to the following:

- Delays in the execution and finalisation of the projects. This was reported as being caused by poor performance by some of the contractors. There were also reported delays experienced due to deviation from the initially projected completion timeline of some construction projects.
- Another reason posed in the report was the delay in finalizing some of the final accounts and the non or late submission of the final invoices by the contractors.
- While the cost involved in such delays and deviations on construction projects are recoverable, the PMTE has to request approval from client departments before tenders are advertised, or when recommended bids are higher than the estimate and every time there is an increase in the cost of the project.
- Delays in responses from client department are a major cause of underspending. Clients are expected to sign-off on their available allocations before the start of the financial year. Unfortunately, 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.
- The delay in the filling of the vacant funded positions have also contributed to under-spending.

Programme 4: Real Estate Management Services
The PMTE pays for property valuations, property rates, and services to municipalities, and distributes transfers to the public works and infrastructure entities, from this programme. It received the largest portion of the budget, R12.63 billion (or 55.8 per cent of the R22.64 billion) for the financial year under review. Programme 4 spent R11.55 billion, which is an under expenditure of R1.09 billion.
The PMTE provided the following explanations for this under-expenditure:

- Property rates and services due to municipalities depend on property valuations. The PMTE reported that it unsuccessfully calculated the cost due for the financial year, and failed to correctly plan for this cost.
- Invoices from the property rates and municipal services could not be paid before the end of the financial year due to the late submission of the invoices.
- The Moratorium to stop payments on month-to-month leases.
- The unspent R35 million, which was allocated to the project on the Rectification of

Illegally Occupied Properties.

- The delay in the filling of the vacant funded positions has also contributed to under-spending.

Programme 5: Real Estate Information and Registry Services
This programme should coordinate and manage the regularly updated Immovable Asset Register (IAR). The trading function of the PMTE require that IARs from municipalities, other government departments (and entities like ESKOM[14]), and provinces are regularly updated and consolidated so that the value of government's property portfolio can be used to generate income on the property trading market. This remains the weakest aspect of getting the PMTE to operate as a fully operational entity of the DPWI.
This programme received R59.5 million of the budget (under 0.3 per cent of the R22.64 billion) for 2021/22. The programme spent R57.0 million, which is an under-expenditure of R2.5 million.
The entity reported that this under-expenditure was due to the delay in the filling vacant funded positions.

Programme 6: Facilities Management
This programme received the third highest portion of the budget, that is, R3.00 billion (or 13.3 per cent of the R22.64 billion) for 2021/22. The Programme spent R2.92 billion, which constitutes an under expenditure of R85.6 million, due to:

- The delay in the execution and finalisation of repair projects which was caused by poor performance by some of the contractors, and delays due to deviations that were made to project time-lines on some of the projects.
- The other reasons for under expenditure were due the delay in finalising some of the final accounts, this was mainly due to none or late submission of the final invoices by the contractors and the delay in the procurement of new cleaning and gardening contracts where the existing contracts have expired.

7.4. PMTE Human Resources per programme:

	Programme	Number of Posts	Filled Posts	Vacant Posts	Posts Filled Add to Establmt.
1	Administration	1 205	1049	156	154
2	Real Estate Investment Services	275	226	49	5
3	Construction Project Management	613	520	93	195
4	Real Estate Management Services	184	159	25	3
5	Real Estate Information and Registry Services	109	103	6	35
6	Facilities Management Services	2709	2392	317	101
	TOTAL	**5 095**	**4449**	**646**	**493**

Source: DPWI Annual Report 2021/2022

7.4.1. Vacancy rate:
The entity has a total of 5 095 posts of which 4 449 were filled at the end of 2021/22 with another 493 filled positions additional to the establishment. During the year under review, the vacant posts were 646. This translates into a vacancy rate of 12.7 per cent.
The largest portion of the 646 vacancies falls under Programme 6: Facilities Management

[14] ESKOM owns roughly 32 000 hectares that will now be used to lease to private companies for a reported 25 to 30 year periods to erect large renewable energy generating facilities. This is part of creating a new energy market where government property is being used to facilitate private participation.

Services with 317 vacancies followed by Programme 1: Administration, with 156 vacancies, and Programmes 3: Construction Project Management with 93 vacancies. This constitutes 566 (or 87.6 per cent) of the vacant positions.

These three programmes have the largest portion of posts filled additional to the establishment. From the additional 493 positions: Programme 3 has a total of 195 posts; Programme 1 accounts for an additional 154 posts and Programme 6, has 101 posts filled additional to the establishment.[14] This constitutes 450 (or 91.3 per cent) of the 493 additional positions.

Programme 2: Real Estate Investment Services reported 49 vacancies and 5 additional posts; and Programme 4: Real Estate Management Services reported 25 vacancies and 3 additional posts. Programme 5 reported the lowest vacancies with six unfilled posts, but has 35 posts filled additional to the establishment.

7.4.2. Vacant Posts – Critical Occupations:

Critical Occupations	**Number of Posts**	**Filled Posts**	**Vacant Posts**	**Posts Filled Additional to Establmt**
1: Architects, Town and Traffic Planners	86	73	13	43
2. Civil Engineering Technicians	32	29	3	19
3. Engineers and Related Professionals	183	139	44	34
4. Mechanical Engineering Technicians	14	11	3	9
5. Quantity Surveyors and Related Professionals	14	14	0	0
Total	329	266	63	105

Source: DPWI AR 2021/2022

The PMTE also reported on a total of 329 posts by critical occupation of which 266 were filled at the end of 2021/22 with another 105 filled positions additional to the establishment.[15] At the 2021/22 year-end, the PMTE reported that there are 63 critical occupation vacancies, which equates to a vacancy rate of 19.2 per cent.

The largest vacancy at 44 falls under Engineers and Related Professions, and includes 34 posts filled additional to the establishment. This is followed by 13 vacancies under Architects, Town and Traffic Planners, that also report 43 posts filled additional to the establishment. The Quantity Surveyors and Related Professionals at 14 posts, have no vacancies and have zero posts filled additional to the establishment.

7.4.3. Reasons Employees Vacated Positions

Termination Type	**Number for 2021/22**
1.Death	32
2. Resignation	189
3. Expiry of Contract	1 537
4. Dismissal-operational changes	0
5. Discharged due to ill health	3
6. Dismissal – misconduct	7
7. Retirement	67

8. Other	0
Total	**1835**

Source: Department of Public Works and Infrastructure (2022).

The PMTE reported that a total of 1 835 officials' employment was terminated during the period under review. The highest number of terminations at 1 537, falls under expired contracts, followed by 189 resignations.
A total of 67 people retired; 32 people died; 3 left due to ill health and 7 were dismissed for misconduct, respectively. The expiry of contracts constitutes 83.8 per cent of the total number of officials' leaving the PMTE, with another 12.3 per cent resigning.
In terms of labour relations, the PMTE reported it finalised 26 misconduct cases and that:

- 1 - Employee was suspended from work without payment.
- 9 - Issued with final written warnings.
- 1 - Issued with written warnings.
- 1 - Issued with verbal warning.
- 2 - Cases withdrawn/ not guilty/ cases not pursued due to inconclusive evidence.
- 12 – Cases not pursued/retirement/resignations/transfer/death.

During the year under review, the PMTE addressed seven grievances, of which all seven were finalised; and none remained unresolved. The PMTE further addressed three disputes, of which two were upheld, and one was dismissed.
Two employees were placed on precautionary suspension, at a total cost of R2.01 million (i.e. R2 010 450). One employee's suspension exceeded 30 days at a cost of R2.0 million (i.e. R2 008 212), while the other's person's precautionary suspension did not exceed 30 days, at a total cost of R2 238.

7.4.4. Financial Performance 2021/2022

PMTE Financial Performance Revenue	**2021/22 R'000**	**2020/21 Restated R'000**	**2020/21 R'000**
Revenue from exchange transactions Revenue from non-exchange transactions Construction revenue	12 726 667 4 358 863 67 741	13 101 717 4 242 173 84 150	13 092 246 4 242 173 83 381
Total Revenue	**17 153 271**	**17 428 040**	**17 417 800**
Expenditure			
Construction expenses	67 741	84 150	83 381
Depreciation, amortization and impairments on assets	3 109 210	2 924 150	3 029 559
Employee related costs	1 933 547	1 914 526	1 914 526
Impairment loss on receivables	2 820 062	1 428 410	760 185
Interest expense	413	7 208	7 208
Loss on disposal	5 004	39 257	38 444
Operating leases	5 264 648	5 128 644	5 122 527
Property maintenance (contracted services)	2 769 388	2 113 758	2 113 731
Property Rates	1 765 250	1 253 885	1 248 964
Sundry operating expenses	1 329 837	1 588 181	1 588 181
Total Expenditure	**19 065 100**	**16 482 169**	**15 906 706**

(Deficit)/Surplus for the year	**-1 911 829**	**945 871**	**2 451 517**

The total **revenue** of the PMTE declined by R274.8 million to R17.15 billion in 2021/22 from the R17.43 billion in 2020/21. This is mainly due to the decrease of:

- R375.1 million under revenue from exchange transactions from R13.10 billion in 2020/21 to R12.73 billion in 2021/22.
- R16.4 million under construction revenue from R84.2 million in 2020/21 to R67.7 million in 2021/22.

At the same time, the **revenue** increased as follows:

- R116.7 million under revenue from non-exchange transactions from R4.24 billion in 2020/21 to R4.36 billion in 2021/22.

Revenue from exchange transactions is mainly generated from accommodation charges on leasehold intergovernmental; freehold private; management fees on municipal services; sundry revenue and interest revenue, for example.

The PMTE's **interest expense** decreased by a net amount of R413 000 during the year under review. This is R6.8 million less than the R7.2 million in interest paid in 2020/21.

Interest due on backlog municipal services and property rates was provided for in the budget, but that has not been paid. The Department indicates that an explanation is provided under Note 16 of the AFS, however, the explanation is unclear as it deals with maintenance and legal proceedings.

Loss on disposal/transfer of assets decreased by R34.3 million in 2021/22 to R5.0 million from R39.3 million in 2020/21, which is due to losses on Property, plant and equipment.

Operating lease increased by a net amount of R136.0 million to R5.26 billion in 2021/22 from R5.13 billion in 2020/21. This is mainly due to an increase of:

- R16.3 million (from R5.05 billion to R5.21 billion in 2021/22) on operating leases – building and improvements. However, the following two decreased as follows:
- R26.3 million (from R47.2 million to R20.9 million in 2021/22) on operating leases – fleet vehicles.
- R994 000 (from 30.21 million to R29.2 million in 2021/22) on rent on land.

Property maintenance (contracted services) increased by a net amount of R655.7 million to R2.77 billion in 2021/22, from R2.11 billion in 2020/21. This is mainly due to the increase of:

- R647.3 million under Property, Plant and Equipment from R2.08 billion in 2020/21 to R2.73 billion in 2021/22.
- R5.1 million under Heritage Assets from R22.4 million in 2020/21 to R27.4 million in 2021/22.
- R3.8 million under Leased Properties from R7.1 million in 2020/21 to R10.9 million in 201/22.

In addition, Investment property decreased by R479 000 from R570 000 in 2020/21 to R91 000 in 2021/22. The property maintenance expenses constitute transactions with contractors for services rendered related to the repairs and maintenance on properties.

Sundry operating expenses decreased by R258.3 million to R1.33 billion in 2021/22 from R1.59 billion in 2020/21. A select number of expenses will be noted below to highlight some of the increases.

- R257 000 increase to R2.3 million in 2021/22 from R2.1 million in 2020/21 on advertising.
- R11.6 million increase to R38.5 million in 2021/22 from R26.9 million in 2020/21 on Auditor's remuneration.
- R7.2 million increase to R7.4 million in 2021/22 from R186 000 in 2020/21 on claims against the State.

The following line-items declined during the period under review:

- R7.9 million decrease to R642 000 in 2021/22 from R8.6 million in 2020/21 on Bad debts written off.
- R45.6 million decrease to R371.4 million in 2021/22 from R417.1 million in 2020/21 on Municipal service expenses.
- R16.8 million decrease to R101.3 million in 2021/22 from R118.1 million in 2020/21 on consulting fees.
- 30.3 million decrease to R59.5 million in 2021/22 from R89.7 million in 2020/21 on consumables.

The PMTE reported a **deficit** of R1.91 billion in 2021/22, this is a reduction of 965.9 million from the R945.9 million surplus recorded in restated figures for 2020/21.

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

The PMTE received a **disclaimer of opinion** with emphasis of matters and additional matters in 2021/22. This is the first disclaimer following from four successive qualified audit opinions received between 2017/18 to 2020/21. It is also a further deterioration from the **adverse audit opinion** (including emphasis of matters and additional matters) from the Auditor-General (AG) for the 2016/17 financial year.
A select number of issues will be noted below. The AG's basis for the **disclaimer** for 2021/22 are dealt with below.

Property Plant and Equipment
The AG was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for property, plant and equipment in the financial statements, as described in Note 37 of the AFS.

- The restatement was, as a result, of the Trading Entity reconstructing the Asset Register, overriding the one that was audited in the prior year.
- The restatement could not be substantiated by supporting audit evidence and the AG
- was unable to confirm the restatement by alternative means.
- As a result, the AG was unable to determine whether any adjustments effected in the corresponding opening balance of R129.8 billion were necessary.
- Consequently, the AG was unable to place reliance on the closing balance of property, plant and equipment stated at R129.6 billion.

Payables from exchange transactions

- The Trading Entity did not accrue for payables from exchange transactions in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*.
- Goods and services were received before year-end, however, the Trading Entity did not correctly recognise the accrued expenses.
- The payables from exchange transactions are therefore understated by R245.0 million and expenditure was understated by R245.0 million).

Payables from exchange transactions- Accrued expenses- Leases

- The Trading Entity did not correctly recognise payables from exchange transactions in accordance with GRAP 104, financial instruments.
- Lease accruals were recorded at incorrect amounts. As a result, lease accrual was overstated by R172.9 million, revenue accrual - recoverable leases was overstated by R104.9 million and operating lease expense was overstated by R67.9 million.

Emphasis of Matters and Other Matters

A select number of issues that were highlighted by the AG are noted below:
The AG questioned the PMTE's ability to remain a going concern and indicated that the entity had a bank overdraft of R1.02 billion (March 2021: R905 million) and the current liabilities exceeded current assets by R6.7 billion (March 2021: R4.5 billion).

- Irregular expenditure of R188.8 million (R188 832 000) was incurred, as a result, of a lack of recoverability in long outstanding receivables.
- Identified material impairments of material losses of R2.82 billion (R2 820 062 000), as a result, of a lack of recoverability in long outstanding receivables.
- *Impairment – Receivables from exchange transactions*: As disclosed in Note 22 to the financial statements, material losses were incurred, as a result, of an inability to recover long outstanding receivables.
- In terms of section 40(3) (a) of the Public Finance Management Act No. 1 of 1999 (PFMA), the Trading Entity is required to prepare an Annual Performance Report. The Trading Entity's performance information was reported in the Annual Performance Report of Department of Public Works and Infrastructure. The usefulness and reliability of the reported performance information was tested as part of the audit of Department of Public Works and Infrastructure and any audit findings are included in the management and Auditor's Report of Department of Public Works and Infrastructure.

Compliance with legislation

Expenditure Management

- Steps taken to prevent irregular expenditure amounting to R133.5 million were not effective or appropriate in certain instances, as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
- The majority of the irregular expenditure disclosed in the financial statements was caused by incorrect procurement processes followed by management.
- Effective internal controls were not in place for approval and processing of payments, as required by Treasury Regulation 8.1.1.

Annual Financial Statements

- Financial statements submitted were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as requited by Section 40(1)(a) and (b) of the PFMA.
- Material misstatements identified by the Auditor were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Revenue Management

- Effective and appropriate steps were not taken to collect all money due, as required by Section 38(1)(c)(i) of the PFMA.

Consequence Management

- The AG was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by Treasury Regulation 4.1.1.
- Disciplinary steps were not taken against officials who had incurred irregular expenditure, as required by Section 38(1)(h)(iii) of the PFMA.

Internal control deficiencies

- Explained as due to the decentralised functions responsible for management of leases spread between the Finance Unit and Real Estate Management Services Unit; there is lack of accountability and oversight to enable proactive implementation of mechanisms to address material misstatements on leases as well as the recurrence of overpayments.

- Senior officials entrusted with significant elements of the financial statements lack adequate and critical skills fundamental for preparation of financial statements. This is indicated by numerous errors and misstatements that were identified in the submitted financial statements for audit.
- Although the majority of the allegations related to irregular expenditure were prioritised by the investigation structures, the implementation of recommendations from the finalised reports were not always prioritised by the senior management of the Trading Entity.

The OAG Identified the following Material Irregularities (MIs)

- Overpayment on a four year (office accommodation with parking) lease for the Department of Rural Development and Land Reform (DRDLR)[15]. The lease dates from 1 October 2015 with a commencement rental amount of R771 656.22 per month and an annual escalation rate of 5.5 per cent. The expiry date on the lease agreement states 30 September 2019. In spite of this, PMTE lease management continued to make payments based on the old lease contract. This caused overpayments of R1.64 million (R1 636 993, 88) from 1 June 2019 up to the end of 31 March 2021.
    - Management reportedly initiated measures to recover the overpayments from the landlord and the recovery process is in progress. An amount of R9.68 million (R9 681 612) has already been recovered from the landlord as at year-end.
- The PMTE entered into a contract with a service provider on 28 November 2013 to construct a Magistrate Court building at Mamelodi (WCS 044028). The contract was for a period of 18 months for construction and the contract value was R94.7 million (R94 742 592.85).
    - The construction of the Mamelodi Magistrate Court project has been significantly delayed and the expenditure paid to date exceed the initial contract amount. The practical completion date of the contract has been extended and the PMTE has been approving the contract extensions with adjustments to the contract value with the daily rate of R24 283,26 charged by the contractor. Based on the approved claims 4, 5, 8 and 9, the delays resulted from civil unrest, riots, strikes and lockouts.
    - This was a contravention of the JBCC 2000 Principal Building Agreement Clause 29.1, which stipulates that the contractor is entitled to a revision of the date of practical completion, but for which the contract value should not be adjusted if it pertains to delays related to civil unrest, riots or strikes. However, requests for extensions with a financial impact where the cause of the delay related to civil unrest, riots, strikes and related matters were approved.

    - The Delegation of Authority dated 08 December 2009, in paragraph 7.4 pertaining to the approval of the extension of contract periods as part of the general notes and condition 2 on the approved delegation, stipulates that any decision regarding the extension of the contract needs to be based on the conditions of the contract and that the decision-taker has no opportunity to exercise any discretion in reaching the decision. The approval of claims 4, 5, 8 and 9 were not in line with the conditions of the contract.
- The PMTE entered into a lease agreement on behalf of the Department of Defence (DoD). The original lease agreement was entered into on 24 April 2014 for a period of five (5) years and only took effect on occupation on 01 April 2015. The lease

[15] Since 2019 agriculture has been added to this department. It has been renamed Department of Agriculture, Rural Development and Land Reform (DARDLR).

agreement was amended for additional space and parking bays based on the same terms and conditions as the main lease with effect from 01 April 2016 for a period of four (4) years.

  - Upon the implementation of the Archibus leasing system in September 2019, management commenced consistently making overpayments to the landlord. The overpayments amounting to R14.1 million (R14 062 727) occurred from the implementation of Archibus leasing system up to 31 March 2021. Although some of the overpayments were recovered as at February 2022 the cumulative remaining not recovered overpayments amounted to R3.8 million (R3 802 787).

Issues that may affect matters in AOG Report:
In addition to the investigations relating to material irregularities, the AG drew attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the Trading Entity's financial statements:

- Compliance with applicable legislation and other related matters.
- These reports did not form part of the AG's opinion on the financial statements or findings on the compliance with legislation.
- Numerous allegations, mainly relating to alleged transgressions with regard to supply chain management (SCM), potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigation Unit.
- These investigation(s) were in progress at the time of the Auditor's Report.

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

9.1. Independent Development Trust

The Independent Development Trust (IDT) is listed as a Schedule 2 entity in terms of the Public Finance Management Act (PFMA). This means that it should be able to generate income from management fees collected from client departments for whom it constructs and manages social infrastructure projects. This has been a challenge with the DPWI having to provided grants over the last few years to ensure it continues operating.

The IDT has been severely hampered in terms of governance and administration. In the previous financial year it struggled to fully report on its operations and finances could not be audited.

The 2021/22 reporting period is the first time in four years that the entity had a fully functional and complete Accounting Authority since the appointment of a new Board of Trustees, which took office during the course of the second quarter of the 2021/22 financial year.

9.1.1. Background

The entity's past failures to generate revenue and resultant reliance on government grants to remain operational has been reported on in past budgetary vote and recommendation reports. The challenges it faced over the last few years saw several skills and experienced personnel leave the entity as there seemed to be no clear long term future. The downturn in the construction sector added to the challenges. All these had an adverse impact on the entity's ability to retain clients which had an adverse effect on its going concern status. The Board did not provide sufficient vision and the entity had to address these matters with urgency.
Since the appointment of a new Board, various steps have been taken to rectify the entity's status. Even though the entity continues to experience financial sustainability challenges, there are promising signs that it would soon emerge from this and break towards collecting debt owed and return to profitable operations.

In its engagement with the committee the entity reported that the actions included:

- Client engagement efforts for projects to increase own income-generation;
- Efforts to transform the future organizational form and legal status have started;
- Addressing obsolete enabling information and communications technology (ICT);
- Expediting acquisition of human resource capacity that constrains performance.

In planning ahead, the entity reported that it remained focused on addressing:

- **Long-term sustainability and certainty of mandate–** the IDT retains its mandate and status as a programme implementing agent and an entity of government.
- **Corporate form and identity** – the IDT currently remains a Schedule 2 entity (foreseen to be so for the next three years irrespective of proposal for new corporate form (and name)). Changes in corporate form may be introduced during this period. However, this will not significantly affect or alter the role of the entity as a programme implementing agent for government.
- **Going Concern Status** – the IDT has to work toward becoming a going concern over the next three years. Financial injection will be sourced to fund critical areas of operations to improve efficiencies with a target of financial surplus or at least break even.
- **Grow the Business Portfolio** – The IDT plans to attract sufficient value of business portfolio year on year. Execution on secured programme portfolio will enable the entity to financially break even and ultimately generate operating surplus.

9.1.2. Internally the IDT reported the following requirements, for the entity to improve in the future:

- Delivery Capacity – the IDT will have to (source) sufficient capacity and resources (people and finances) to deliver on its mandate.
- Enabling Technology - the IDT will timeously resource itself with appropriate enabling technology to deliver on its mandate efficiently.
- Business processes – The organisation’s design, structure and processes are fit for purpose (processes institutionalised and diligently implemented).
- Organisational culture – The IDT has developed and implemented an appropriate organisational culture that is client-centric and conducive for excellent results (high-performance culture).
- Quality of personnel – The IDT is able to attract and retain the right and required skill when and where they are needed.

The entity reported that it designed a three-year strategy to overcome its obstacles and challenges.

9.1.3. Financial Situation for 2021/2022

1. **Construction programmes spend:** By 31 March 2022 this totalled R 2.2829 billion against an annual target of R 2.634 billion.
2. **Management fees billed:** This was R 122.112 million against total operating expenditure of R 205.020 million. This means that for 2021/2022, the IDT was at a 60,0% self-funding rate.
3. **Operating cost deficit:** 40% was funded through a grant (R93 million) transferred from the DPWI’s Programme 4.
4. **Cash and Cash equivalent:**
   The entity had cash and cash equivalent of R 56, 586 million as at 31 March 2022. This is a 28. 13% decrease compared to cash and cash equivalent of R78, 736 million as at 31 March 2021.
5. **Trade and other receivables:**
   As of March 31 2021 it was reported at R40,041 million (2021: R40,392 million) were impaired and provided for. The amount of the provision was R72,538 million as of March 31 2022 (2021: R88. 377 million) with the balance mainly composed of

management fees receivable from client departments.
The age of these trade receivables was reported to the committee as follows:

Current	**31- 60 days**	**61 - 90 days**	**> 90 days**	**Total**
R 21. 947m	R 2. 241m	R1. 297m	R13. 125m	R38. 610m

6. **Programme assets and liabilities:**
   The entity reported that it has entered into binding arrangements with various client departments wherein it acts on behalf and for the benefit of the client departments in delivering programmes committed in their various votes. Such arrangements require the IDT to undertake transactions with third parties. As at 31 March 2022, the IDT had obligations to service providers to the value of R 1.558 billion and consequently had receivables of the same amount from client Departments to honour the liability. This represents a 10.62% decrease compared to the 2020/21 programme assets and liability of R 1.743 billion.
7. ***Projection - Cash Flow Challenges:***
   The entity reported that it requires an additional revenue stream to fund the shortfall in revenue and operational expenses. Currently, the organization is not able to fund its operations from the generation of management fee revenue alone.

   A request for grant funding has been submitted to DPWI. The grant funding approval was received on 22 September 2022 from National Treasury and DPWI. A grant of R70.3m was approved to fund the IDT deficit for the 2022/23 financial year.

9.1.4. Corporate Governance, A Functional Board, and Financial Oversight

Functioning of the Board: the IDT operated under the leadership and oversight of a Board of Trustees comprised of eight (8) members whose term ended in April 2021. On 6 July 2021, the Minister appointed a new, full, 12-member Board of Trustees.

Meetings of the Board of Trustees: The Board held eight meetings and a strategy workshop during 2021/2022.

Audit and Risk Committee: The Board of Trustees established an Audit, Risk, and Compliance Committee to assist in fulfilling its oversight responsibilities for internal control and risk management, the audit process, and monitoring compliance with all applicable legal requirements and accounting standards. This committee met twice during the reporting period.

OAG Audit Outcome for 2021/2022

After more than five years of audit disclaimers, the IDT received a qualified Audit Outcome for the 2021/22 financial year. An Audit Action Plan has been prepared in line with the AGSA's management report in order to address the findings contained therein. The AGSA will be conducting a debriefing session with all relevant staff members on the root causes and the appropriate remedial actions, and this will aid in ensuring that the targeted actions are adequate to resolve the audit queries and prevent a recurrence.

9.2. AGRÉMENT SOUTH AFRICA

9.2.1. 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.

The main objectives of the entity are to:

- **Conduct assessment and confirmation of fitness- for-purpose of non-standardised construction related products or systems.**
  ASA plays a critical role in ensuring that fit-for-purpose innovative construction material, technologies, and build systems are introduced into the built environment. It does technical assessments in the selection process of non-standardised building systems and products for departments such as the national Department of Human

Settlement and the construction industry that benefits broader society. Importantly, once ASA has done assessments, certificates are issued to innovators for the products, technologies and systems to be marketed and introduced to the general construction and built environment market.

- **Provide assurance to specifiers and users of the fitness-for-purpose of non-standardised construction related products or systems.** It contributes to the mandate of the DPWI by addressing issues of poverty alleviation and unemployment reduction. The certificates it issues grant users an opportunity to build innovative infrastructure. It is aligned with and assists builders to comply with National Building Standards for use to deliver social infrastructure, create employment opportunities amongst vulnerable sectors of society.
- **Support policy makers to minimise the risk associated with the use of a non-standardised construction related products or systems**: Products, technologies and systems that ASA certifies are used to replace and eradicate pit toilets that are unsafe across the country. The magnitude of projects to eradicate these unsafe structures and replace them with social infrastructure that can restore our people's dignity cannot be understated. ASA assists specifiers such as the national Department of Basic Education, together with the Provincial Department of Education, Department of Water and Sanitations, Department of Human Settlements so that they are aware to the risks of using unsafe or uncertified products and systems.
- **Green building rating tool and eco label projects – New projects**
  The green building rating tool and eco labelling of materials projects will further enhance revenue streams of ASA once these projects are implemented. The implementation of these projects is effective 2023/24 financial year onwards. All public sector buildings will be rated using this tool and at the same time materials will be labelled in terms of reduction of waste, environmental impacts, water, and energy efficiency which contribute towards green economy We conclude that this project remains economically viable especially looking at the future of work and green economy.

9.1.2. Financial Performance

Revenue & Expenditure	**%**	**Variance**	**2022**	**2021**
		R	**R**	**R**
From services	175.19%	2,266,549	3,560,339	1,293,790
Recoveries from bad debts and	107.95%	80,708	155,471	74,763
Interest received	0.78%	9,028	1,168,020	1,158,992
Sub-total	93.15%	2,356,285	4,883,830	2,529,566
Government Grants	13.96%	4,051,000	33,078,000	29,027,000
Total revenue	**20.31%**	**6,407,285**	**37,961,830**	**31,554,545**
Personnel related costs	5.53%	1,220,106	23,282,658	22,062,552
Depreciation and Amortisation	-49.94%	-1,354,210	1,357,287	2,711,497
Lease rental on operating lease	4.75%	120,713	2,661,797	2,541,084
Debt Impairment	-82.05%	-208,480	45,600	254,080
COVID-19 expenses	-100.00%	-314,120		314,120
Operating expenses	-19.03%	-1,189,686	5,062,321	6,252,007
Total expenditure	-5.06%	-1,725,677	32,409,663	34,135,340
(Deficit) / Surplus for the period	**315.13%**	**8,132,962**	**5,552,167**	**-2,580,795**

Source: ASA, 2021/2022

Revenue from services increased from R1.293 790 in 2020/21 to R3.560 339. This shows improvement in its project execution that struggled in the immediate aftermath of the Covid-19 pandemic and caused significant disruption in its operations. Recoveries from bad debt further showed signs of recovery from R74 763 in 2020/21 to R155 471 in this year. The rise in the interest rate announced by the Reserve Bank led to an increase in return on investment of R9 028 to R 1.168 020 compared to R1.158 992 in the previous year. Grants received for 2021/2022 increased by R4.05 000 to R33. 078 00 from an adjusted R29.027 000 due to the Solidarity Fund.

Budget limitations continued to affect the completion of some activities. This includes certifying some non-standardised construction related products and systems as it could not procure the necessary technical expertise and access an accredited laboratory for the testing of prototype products and systems.

Procurement challenges and identified inefficiencies in supply chain management (SCM) delayed the completion of some planned activities and projects before the end of the financial year. The three projects are the Green Building Rating Tool, ASA Eco-Labelling Tool, and planned office relocation. This led to a surplus of R10.608 582 that needs to be rolled over. Management made arrangements for supply chain management staff to be trained by National Treasury to address this so that it can improve in the next financial year. SCM also reviewed some policies and procedures that would assist this process.

ASA is strengthening strategic efforts to get certified non-standardised construction related products and systems products and systems into the professional build environment and construction section. It is doing this through:

- Partnerships with specifiers of non-standardised construction related products and systems ((Departments of Human Settlements, Water and Sanitation, Transport, Cooperative Government and Traditional Affairs and related implementing entities);
- Participation in the Bid Specification Committees of Specifiers to promote the introduction and fit-for-purpose use of non-standardised construction related products and systems;
- Conducting market analysis to determine usage and impact of ASA certified products and systems.

Organisational performance

After the untimely passing of the long-time CEO Mr Joe Adhiambo, the entity had to appoint a new Chief Executive Officer, the Executive Committee also had a bit of instability with the Executive Manager: Corporate Services being temporarily appointed. Operations were further affected by a high staff turn-over during 2021/2022.

While stability is being achieved since the appointment of well qualified and experienced staff in the mentioned positions, the high staff turnover and disruptions points to the need for an organisational review to put in place a second layer of leaders that make it responsive and to change and responsive to the organisational objectives that ensures continued delivery during times of possible disruptions.

Support to Government Policy Objectives:

The entity remains positioned to support government-wide plans identified in the seven priorities identified to address the harsh economic challenge facing the globe and the country. The Executive Committee and Board is committed to:

- Supporting socio-economic development;
- Good governance and raising living standards and prosperity;
- Encouraging and facilitating the use of innovative, non-standard construction products and systems; and
- Providing a certification scheme for such systems based on a regime of tests and standards;

ASA is thus aligned to the policy regime of the executive authority of the DPWI in addressing poverty and unemployment in the country. The Executive Committee and Board reported a willingness to participate in oversight and audit activities and provide information that further strengthens the organisation. This, it believes is an important component that streamlines the organisation to operate and perform efficiently in attempts to provide testing and certification of non-standard construction products and systems so that social infrastructure can be constructed that serves the people of the country.

Programme Performance

Programme 1: Administration

This programme comprises of three sub-programmes, namely, Technical, Financial and Corporate Services.

Regarding outputs, as stated in its APP for the 2021/2022 financial year, three eco-labelling specifications were approved and published. This contributes to the implementation of the government-endorsed Eco Label Scheme.

Projects managed and finalised within timeframes were 16, out of 27 (59.3% achievement rate); 15 certificates were issued and 01 certificate were not approved.

ASA audited quality management systems of 63% of certificates (178/284) in issue, for quality and compliance, against a target of 85%. The objective of these outputs was to promote improved and environmentally sustainable methods of construction, thereby contributing towards the impact of innovative non-standard construction related products and systems.

Due to delays in revising the mandate from the DPWI, the Public Buildings Green Building Certification Framework and Rating tool could not be developed.

Regarding the effective implementation of corporate governance across the board, 88.9% (8 out of 9) external audit recommendations have been implemented.

To monitor compliance with the prescripts of supply chain management and ensure that all invoices are approved and paid within 30 days, a total expenditure of R45,519.24 was paid outside 30 days and 61.20% (R29.6 million of annual budget of R48.4 million) of approved expenditure spent of the approved budget with an amount of R274,242 was incurred on irregular expenditure.

The entity has further been able to achieve 100% implementation of planned training, contributing towards empowered human capital, a resilient, ethical, and capable entity, with the objective of providing overall strategic leadership, operational efficiency, and service excellence, as well as providing organizational support services to operate and function as an organisation with a track record of quality, effective delivery, and professional service.

Corporate Services – Linking Performance with Budget Allocation:

Source: ASA, 2021/2022

	2021/2022			**2020/2021**		
Programme/ activity/ objective	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Employee related costs	30839	23283	7556	28073	22063	6011
Depreciation and Amortisation	1379	1357	22	0	2712	(2712)
Lease rental on operating lease	3315	2662	653	4738	2451	2197
Debt Impairment	0	46	(46)	0	254	(254)
Operating expenses	17689	5062	12619	16201	6566	9635
Total	**53222**	**32401**	**20804**	**49012**	**34135**	**14877**

The entity recognises the need to fill vacancies to ensure that it has the required skilled and qualified experts to successfully and timeously complete projects. It cannot make plans and state performance objectives without such personnel and the required equipment and laboratory space to do assessments, test prototypes, and issue reliable certification for non-

standardised building material and systems.
Revenue collected:
Source: ASA, 2021/2022

	2021/2022			2020/2021		
Sources 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**
Grants and retained surplus funds	50320	33078	17242	46780	29027	17753
Assessments Fees	2904	3560	(656)	2634	1294	1340
Interest Received	1416	1168	248	1630	1159	471
Recoveries	0	155	(155)	0	75	(75)
Total	**54640**	**37962**	**16678**	**51044**	**31555**	**19489**

ASA collected R33.1 million which is R4.1 million more than the previous year. The total estimated revenue of R50.3 million consisted of the following:

- Annual government grant - R33.1 million.
- Approved 2021 retained surplus funds - R17.2 million.

ASA is dependent on clients voluntarily submitting applications for technical assessments of their innovative construction related products and systems. Due to improvements on project management ASA collected assessment fees at approximately R0.6 million more than what was budgeted for in 2021/2022. The return on investment received is interest received from surplus funds invested which were not immediately required, was equivalent to R1.2 million which is almost R0.2 million less than planned due to changes in interest rate during the period under review. ASA recovered bad debts that were written off in the previous period which amounted to R141 360 and R14 111 was sundry income.

Human Resources

As mentioned earlier, the entity experienced a high turnover rate in the year under review. It had a negative impact on some of the performance, yet due to a strong governance and agile management structure, ASA could deliver on most of the objectives as stated in its APP for this financial year.

The Chief Executive Officer position is vacant due to previous CEO passing away in July 2021. The process to recruit a new CEO has been finalized for the new CEO to start on 01 April 2022. After this, the Executive Team has been operating at Top Management level hence the change to how Top and Senior Management is reported this year in comparison to the previous year.

The table below shows cost incurred for personnel per programme, percentage of expenditure per cost for personnel, number of employees, and the average cost spent per employee.

Level	**Personnel Expenditure**	**% of personnel exp. to total personnel cost**	**No. of employees**	**Ave. personnel cost per employee**
Top Management	R4 295 425	21%	3	R 1 431 808
Senior	R3 993 534	19%	5	R798 707

Management				
Professional qualified	R11 548 116	56%	26	R444 158
Skilled	R332 856	2%	1	R332 856
Semi-skilled	R583 577	3%	1	R583 577
Unskilled	R0	0%	0	R0
TOTAL	**R20 753 510**	**100%**	**36**	**R576 486**

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. This entity reports to the Portfolio Committee on Public Works and Infrastructure on its Annual Performance Plans and Annual Report. The committee calls it to report on strategic issues identified in the course of its oversight activities throughout its term.

The Mandate of the cidb is to:[16]

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.

The regulation of the construction industry takes place through the Register of Contractors (RoC), Register of Projects (RoP), and code of conduct for all involved in construction procurement. The Construction Industry Development (CID) Regulations of 2004, as amended, give effect to these prescripts and the cidb operationalises and enforces them.

9.2.2. Performance Managing the Register of Contractors (RoC)

Contractors register on the RoC and are placed within applicable grades. It is mandatory for contractors wishing to do business with organs of state awarding construction works tenders. Any organ of state awarding a tender to an unregistered contractor commits an offence. Placement on the RoC is done according to proven capabilities of contractors to manage works of a particular contracted financial value, time towards completion within budget, and quality of works on completion.

The RoC provides a record of contractors per grade and facilitates public sector construction procurement and promotes contractor development. During this financial year, 77 459 applications were received and processed on the RoC, which is a decline of 1.48% from 2020/2021. Registration turnaround time for the financial year improved from 96% the previous year to 99%.

Number of RoC applications processed in 2021/2022

[16] CIDB Annual Report, 2021/2022.

Application type	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Three-year renewal	3 609	3 530	2 822	3 338	13 299
Additional classes of works	3 336	3 385	2 803	2 793	12 317
Annual updates	1 969	1 451	1 051	1 138	5 609
New applications	8 300	7 350	5 473	7 354	28 477
Three-year moratorium	1 103	1 316	1 116	1 279	4 814
Confirmation of updates	1 589	1 652	1 242	1 474	5 957
Update of tax clearance certificate	334	168	110	90	702
Upgrade	1 754	1 695	1 349	1 486	6 284
Total	21 994	20 547	15 966	18 952	77 459

RoC Grade Progression, Development and Assessment Criteria

Around 7% of the registrations reported for this year represents Grade 1 contractors. This provides an indication of potential contractors drawn to the various categories in the construction industry.

This raises the other important function of the cidb, namely that of the development and standardisation of construction contractors. As development happens and contractors graduate further up the grades of the RoC, the number of Grade 1 contractors should drop.

The cidb has to develop, publicise and inform the large construction community of standard setting assessment criteria along which capabilities to manage the financial value of contracts and quality of work per grade. These should be linked to development programmes that ensures the development of contractors from one grade to the next. It is further important to ensure that the contractor community form part of the development processes of such criteria and that they are well communicated and publicised for information of the whole industry and the public.

Investigating and Resolving Conduct Breaches

The Construction Industry Regulations (CID) (2014) empowers the cidb to investigate, resolve and process conduct breaches with other investigating authorities. During 2021/2022, 139 code of conduct breaches were reported through the cidb's anonymous hotline, case management processes, and referrals from law enforcement agencies (the Directorate for Priority Crime Investigations (DPCI)[17] and the Special Investigating Unit (SIU)). After investigating them, 72 were resolved and closed.

Cases related to RoC applications included:

- Submission of fraudulent tax clearance certificates
- Falsified track records
- Misrepresentation of financial statements
- Fraudulent bank statements
- Client non-compliance with the RoC.

9.2.3. Register of Projects (RoP)

Infrastructure projects nationally, including government and private sector projects are recorded on the RoP. The RoP provides a record of public sector infrastructure projects from tender advertisement and award through to project completion or termination. Note that it is mandatory for public and private sector clients to register contracts on the cidb RoP.

The 2014 CID Regulations (Section 18(1A)) provides that the RoP applies to every project comprising a single construction works contract whose value exceeds R200 000 for public sector and, for the private sector and a public entity listed in Schedule 2 of the Public Finance

[17] Former name but often colloquially referred to as 'the Hawks'.

Management Act, 1 of 1999, for projects of more than R10 million.
In its annual report for the 2021/2022 financial year the cidb reported that in spite of the longstanding capacitation programme for public sector clients to compensate for the turnover of supply chain management personnel, RoP and cidb i-tender compliance remains low.
To improve compliance, infrastructure construction projects not registered on the RoP are flagged. On 31 March 2022, 4 231 tenders were advertised on cidb i-tender, a drop of 8% from the previous year. There were 2 779 awarded projects on the RoP at 31 March 2022.

Monitoring Compliance

The cidb monitors and enforces compliance with the CIDB Act, 2000, CID Regulations, 2004, as amended, Standard for Uniformity in Construction Procurement, the cidb Code of Conduct for parties involved in construction procurement and the newly implemented B.U.I.L.D Programme.
In its annual report for this financial year the cidb shows non-compliance with the requirements in the award of tenders among South Africa's the top infrastructure clients as follows:

Top 20 public sector clients by infrastructure spend	Budget (Rm)	RoP compliance rate 2021 quarter 4
Eskom	45 418	36%
Transnet	33 659	41%
Passenger Rail Agency of South Africa	13 313	21%
Sanral (toll and non-toll)	10 766	59%
City of Cape Town Metropolitan Municipality	8 751	60%
Department of Transport and Public Works: KwaZulu-Natal	8 118	27%
Rand Water	5 794	25%
eThekwini Metropolitan Municipality	5 522	-
City of Johannesburg Metropolitan Municipality	4 981	-
National Department of Higher Education and Training	4 813	-
Property Management Trading Entity	4 695	-
City of Ekurhuleni Metropolitan Municipality	4 625	13%
National Department of Water and Sanitation	4 436	76%
Department of Transport and Public Works: Western Cape	4 009	67%
City of Tshwane Metropolitan Municipality	3 812	53%
Department of Transport and Public Works: Limpopo	3 381	47%
Department of Transport and Public Works: Gauteng	2 810	41%
Department of Transport and Public Works: Eastern Cape	2 573	4%
Department of Education: KwaZulu-Natal	2 447	-
Umgeni Water	2 145	62%

The cidb reported awareness that much needed to be done to strengthen this aspect of its work. This included the establishment of a Regulatory Compliance Unit and appointment of a compliance manager to oversee its work during 2021/2022. The PC on PWI recognised this and looks forward to future reports on the outcome which should improve compliance to the legislative and regulatory regime of the cidb.

9.2.4. Developing the Construction Industry - Skills through Infrastructure Projects - The BUILD Programme

The Standard for Developing Skills through Infrastructure Contracts was published in Government Gazette No. 43495 on 3 July 2020. It carries the signatures of the Ministers of Public Works and Infrastructure, Higher Education and Training, and Economic Development. This shows the collective understanding that had been developed on the need to put in place a sustainable developmental scheme along which construction contractors of varying categories can continue to be developed in line with agreed-to standards.

From 1 April 2021, national government departments and public enterprises implementing contracts for cidb grades 7 to 9 contractors had to start allocating 0.2% of projects to a maximum of R2 million to the B.U.I.L.D Fund to ensure sustainable construction contractor development.

The cidb hosted 25 stakeholder engagements during 2021/2022 to provide information to clients, contractors and industry associations about the requirements and the need to comply with the programme. The B.U.I.L.D Programme is an integral part of infrastructure procurement. The sessions focused on how to incorporate the programme into procurement processes and implement the standards for indirect targeting and skills development in projects. All engagements were virtual, which allowed more people to participate.

During 2021/2022, the cidb billed R43.4 million in B.U.I.L.D revenue, of which R12.3 million, or 28%, was collected, which translates to about 28%. As the concept is new, the collection rate was not up to par for this financial year. It also created misunderstanding with the OAG which will be dealt with in more detail in a further section. With time and continuous client liaison, the cidb is convinced that the programme will play a major role in rejuvenating the industry in terms of quality and output.

9.2.5. Research and Development across the Higher Education and Training Sector

The PC on PWI commended the output of the cidb in the higher education and training sector. The cidb has for many years hosted post graduate research conferences where students have the opportunity to present papers on their research on the built environment and construction industry. This work has continued in the 2021/2022 financial year with the entity reporting on its work in partnership with the Centre of Excellence at the Department of Construction Management and Quantity Surveying of the University of Johannesburg.

The two organisations partnered to host an inaugural 'State of the South African construction industry' seminar at which national and international experts presented on issues affecting the industry, with special emphasis on how the industry can mitigate the effects of the Covid-19 pandemic.

The cidb hosted a virtual doctoral workshop for students registered or intending to register for doctoral studies which was virtually beamed to more than 120 participants across five African countries.

The centre produced five honours, two masters and two PhD candidates. Both PhDs are South African women who were retained as lecturers and postdoctoral fellows to enable them to enhance their research skills and start their academic careers.

During 2021/2022, two study reports that were later prepared for publication as books were completed on behalf of the cidb into issues pertinent to the construction sector. The first documented construction-related fourth industrial revolution research in South Africa. It provides a database of studies presenting the latest thinking and trends to guide those driving skills development and transformation in the sector and highlighting skills and talents needed for the current and future workplace. The next phase will include the development of a database of educational programmes offered by South African universities, universities of technology and TVET colleges.

The second study examined the causes and effects on stakeholders of construction tender cancellation, a practice that is costly and time consuming for tenderers, may disrupt service delivery and is suspected to fuel industry corruption.

A developmental partnership was initiated during the year with the Faculty of the Built Environment at Walter Sisulu University to support lecturers to undertake research and obtain higher degrees at masters and doctoral levels. In addition, 10 journal articles were published on subjects ranging from construction digitalisation and skills for 21st century employment to construction sector health and safety practices.

9.2.6. Governance: Risks Identified that Hamper Performance

The slow pace of industry transformation is evident in the RoC with 70% of grades 7 to 9 contractors being black owned; 33% of grades 7 to 9 are women-owned; the entity refers to the recent judgement in the case *Minister of Finance v Afribusiness NCP* that set aside the Preferential Procurement Regulations published under the Preferential Procurement Policy Framework Act (PPPFA) as negatively impacting on its performance target to whittle down the 70% in respectively the first category to 45% average, and the second one from 33% to 11% average.

The cidb lists municipalities as clients that struggle to move the municipal budget spend from 84% to 69% spending. The entity has very little control over this matter as there is a lack of capacity in the local government sector that prevents this target to be reached. What is important, is that the cidb investigate the causes and impacts of cancellation of tenders, and identify strategic responses to address and resolve them. Such work to include efforts which has to be undertaken collaboratively with national provincial departments of cooperative government and traditional affairs (COGTA) as their executive authorities have a Constitutional prescribed duty (section 154(1)) stated as, "must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and perform their functions." The cidb to work on measures to enhance client capacitation on the Infrastructure Development Management System (IDMS), and Framework for Infrastructure Delivery and Procurement Management (FIDPM).

Public sector compliance with the cidb Act and CID Regulations need to be improved so that performance targets to improve the rate at which public sector institutions at the three levels of government register projects on the RoP. This weakness is due to a lack of enforcement implemented on government institutions. There is often a lack of appetite to institute criminal action against government departments which has been reported as often due to political interference. The entity further reported ineffectiveness of its strategy to improve private sector compliance to the regulations. To address this, the entity is working on strategies to improve registration on and compliance with the RoP, implement punitive measures against defaulters, generate reports for the DPWI Ministers, Directors-General, Parliamentary committees. It is has also identified the need to improve its reporting to the Auditor-General which includes a memoranda of understanding signed with Auditor-General (to add to scope of work).

Incidences reported during 2021/2022

Incidences of cidb officials soliciting bribes came to light in Gauteng, Free State, and KwaZulu-Natal offices. Disciplinary action was initiated against three officials for one in the Gauteng provincial office and two incidences in the Free State. All were found guilty and dismissed. Assets damaged and stolen at the KwaZulu-Natal office during the July 2021 riots were valued at R901 000. A claim was lodged with the insurer and payment was reported to have been received in this financial year.

9.2.7. Auditor-General's Report to Parliament

The AG stated that in all material respects the financial statements fairly presented the financial position of the cidb as at 31 March 2022. The financial performance and cash flows for the year ended was done in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 PFMA). However, the AG expressed a qualified opinion on aspects of the report. This was based on the AG interpreting evidence that the cidb did not bill and collect all the revenue due to the entity in accordance with GRAP 23. This was under the category 'Revenue from non-exchange transactions' and relates to the manner in which the BUILD fees were collected. The AG identified this as construction contracts that qualify for best practice project assessment scheme but for which a build fee was not billed and recorded.

The AG expressed the qualified opinion on the financial statements as the evidence did not allow the auditing team to determine the full extent (R43 419 216) of the understatement of build fees in the financial statements, and related receivables from non-exchange transactions build fees (R31 107 602). This added to the stated surplus amount reported at the end of the financial year.

The audit further had to look at whether effective and appropriate steps were taken to collect all revenue due, as required by section 51(1) (b)(i) of the PFMA. Due to the inability to collect BUILD fees in time before the end of the financial year, the AG had to state that the cidb did not take effective steps.

The CEO and Board referred to this as an unfortunate interpretation as it could have been corrected by closer collaboration between the cidb and the AG. One of the corrective measures that emerged from this unfortunate audit outcome is the MOU that was signed to work closer together to ensure that such misunderstandings is averted.

The AG further reminded the Portfolio Committee that the Special Investigating Unit (SIU) was investigating allegations on the registration of contractors at the cidb in terms of a presidential proclamation. The investigation covers alleged actions between 1 January 2006 and 15 April 2016. At the date of the audit report, the SIU was still investigating these allegations and the public entity had not received the results of the finalised investigations.

The PC on PWI may need a progress report on this matter in 2023.

9.2.8. Financial Performance

	2021	2020 Restated*
Assets		
Non-current Assets Property, plant and equipment	106 007 902	96 555 529
Intangible assets	29 438 002	33 892 283
Current Assets	135 445 904	127 821 623
Receivables from exchange transactions	9 270 594	5 663 452
Receivables from non-exchange transactions	31 107 602	-
Cash and cash equivalents	**174 462 698**	**169 577 691**
	214 840 894	175 241 143
Total Assets	**350 286 798**	**303 062 766**
Liabilities		
Current Liabilities		
Income received in advance	94 279 023	86 378 222
Finance lease obligation	277 232	-
Payables from exchange transactions	17 744 471	14 118 432
Employee benefits	6 873 903	5 469 803
Total Liabilities	**119 174 629**	**105 966 457**
Non-current Liabilities Finance lease obligation	351 707	-
Total Liabilities	119 526 336	105 966 457
Net Assets	230 760 462	197 096 309
Accumulated surplus	230 760 462	197 096 309
Total Net Assets	230 760 462	197 096 309

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"[18] 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:[19]

- 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.

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

[19] Ibid

- 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

	2021/22			2020/21		
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 grant from DPWI (Programme 4 Transfer)	53 528	53 528	-	48 813	48 813	-
Levies	2 308	1 711	597	-	2 075	(2 075)
Interest	553	584	(31)	445	481	(36)
Other operating income	1	241	(240)	469	730	(261)
Total	**56 390**	**56 064**	**326**	**49 727**	**52 099**	**(2 372)**

Reasons provided in the Annual Report for Over/Under Collection of Revenue:

(i) Government Grant from DPWI

The transfer of R53 528 was from the DPWI Programme 4 Main Vote.

(ii) Levies Received

Levies from professional associations were less than what was budgeted for; Engineering Council SA collected less due to reduced membership. The committee questioned this but did not receive a satisfying reply.

(iii) Other Operating Income

The major contributor for the over collected amount was from:

- proceeds from insurance claims for assets replaced
- accrued income for a claim finalised after year-end from the employment benefit service provider.

9.3.4. Expenditure per programme 2021/2022

	2021/22			2020/21		
	Budget	**Actual Expenditure**	**Over/ Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**
Programme 1: Administration	52 271	50 280	1 991	47 133	50 388	(3 255)
Programme 2: Transformation	571	805	(234)	186	49	137

Programme 3: Skills and Capacity Development	2 084	2 064	20	1 718	1 165	553
Programme 4: Research and Advisory	648	21	627	24	14	10
Programme 5: Regulation and Public Protection	816	616	200	666	652	14
Total	**56 390**	**53 786**	**2 604**	**49 727**	**52 268**	**(2 541)**
Assets (additions)	-	1 662	(1 662)		993	(993)
Total including assets (additions)	**56 390**	**55 448**	**942**	**49 727**	**53 261**	**(3 534)**

Source: CBE Annual Report 2021/2022

Administration

The surplus is attributable to the following reasons:

- Depreciation and amortisation which is not budgeted for in a cash-based budget.
- A delay in finalising the datacentre cloud bid.
- A budget was allocated for the CBE's 20-year strategic review, but there was no suitable service provider identified to undertake the project, hence it remained unspent.
- The settlement for the severance of the former CEO's was budgeted as indicated but was not finalised by the end of the financial year.
- Prior year committed funds, utilised for the revenue enhancement strategy, organisational redesign and computer expenses (note that these are reported as for software such as Microsoft 365, Kaspersky (anti-virus software) and the Integrated Electronic Built Environment System). These are reported as having resulted in actual expenditure exceeding budgeted expenditure. The difference was offset against the underspending as indicated above.

Transformation

The shortfall is attributable to the payment of TCC Chairpersons, which exceeded what was initially budgeted for.

Skills and Capacity Development

The surplus is attributable to accreditation visits not scheduled due to the third wave of the COVID-19 pandemic, which resulted in savings on travel.

Research and Advisory

The procurement of the Knowledge Management Hub was finalised towards the end of the financial year. The problem is that the Senior Manager and required staff positions remain vacant. This means that the Knowledge Hub may be finalised yet remains non-functional.

Regulation and Public Protection

There was a surplus due to appeal committee fees. Due to the unpredictable nature of appeals, the number of appeals cannot be accurately determined at the beginning of the year.

9.3.5. Human Resource Management

Human Resources Expenditure per Programme:

Programme	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure (% of Total Expenditure)	No of Employees	Average Personnel Cost per Employee (R'000)
Programme 1: Administration	50 280	19 728	39.23%	26	759
Programme 2: Transformation	805	6 110	759.01%	6	1018
Programme 3: Skills and Capacity Development	2 064	3 165	153.34%	4	791

Programme 4: Research and Advisory	21	2067	9 842.86%	3	689
Programme 5: Regulation and Public Protection	616	-	-	-	-
TOTAL	**53 786**	**31 070**	**57.89%**	**38**	**818**

Source: CBE Annual Report 2021/2022

Expenditure on Training per Programme

Programme	Personnel Expend. (R'000)	Training Expend. (R'000)	Training Expend. (% of Personnel Cost)	No. Trained	Ave. Training Cost per Employee
Programme 1: Administration	19 728	143	0.72%	7	20
Programme 2: Transformation	6 110	3	0.04%	1	3
Programme 3: Skills and Capacity Development	3 165	0	0.00%	0	0
Programme 4: Research and Advisory	2 067	26	1.26%	2	13
Programme 5: Regulation and Public Protection	-	0	0.00%	0	0
TOTAL	**31 070**	**172**	**0.55%**	**10**	**17**

Source: CBE Annual Report 2021/2022

Vacancies per Programme

Programme	2020/21 No of Employees	2021/22 Approved Posts	2021/22 No of Employees	2021/22 Vacancies	% Vacancies
Programme 1: Administration	24	25	23	2	8.00%
Programme 2: Transformation	2	2	2	0	0.00%
Programme 3: Skills and Capacity Development	5	5	5	0	0.00%
Programme 4: Research and Advisory	2	4	2	2	100.00%
Programme 5: Regulation and Public Protection	2	3	2	1	50.00%
TOTAL	**35**	**39**	**34**	**5**	**12.82%**

Source: CBE Annual Report 2021/2022

Further detail on dealing with Vacancies

There seems to be no progress with filling these positions during the current financial year as the revised organisational structure remains incomplete. This adds to the concern expressed regarding strategic leadership and forward-planning evident in the entity. The posts are as follows:

(i) **Research and Policy - Senior Researcher**
(ii) **Research and Policy – Manager**

(iii) **Strategic Planning, Monitoring and Evaluation - Strategic Planning, Monitoring and Evaluation Officer:** This position is currently undertaken by a fixed- term appointment. Permanent recruitment is on hold pending the implementation of the above mentioned revised organisational structure.
(iv) **Regulations and Legal Services – Paralegal:** This position became vacant in the middle of the year as the incumbent was promoted to Legal Compliance Specialist.
(v) **Knowledge Management and IT - Senior IT Technician**

In addition to the concern regarding the incomplete revised organisational structure, the Portfolio Committee further showed concern about information that showed 100% vacancy for Programme 4, Research and Advisory. Looking closely at the information in the Annual Report, it is clear that the claim of a Completed Knowledge Hub is not as positive an element of the year's performance. The information further shows that the entity aims to appoint a Manager and Senior Researcher, yet no mention is made of other research staff that would operationalise the Knowledge Hub. This limits the ability to investigate the BEP sector fully and implement strategies to reach transformation and quality driven targets.
This places it in a position where, instead of building in-house research and advisory abilities that can collaborate with the larger BEP sector on an equal footing, it may be forced to use financial resources to purchase information about the built environment professions. Information that is purchased as a service from outside agencies may not benefit the strategic direction of the entity and the executive authority that it reports to. This is a reverse of what its sister-entities, Agrément SA and specifically, cidb reported. This matter means that a strategic shift is required to ensure that it is better equipped to provide updated information and advisory services to the executive authority on the BEP sector.

Reasons for Staff Vacating Positions:
The report showed that 66.7% leave due to resignation. This is a high rate that requires further information. The CBE needs to give more attention to retaining staff. The 33.3% progression due to promotion also requires more information; on the positive side, it may indicate a well-crafted strategy to grow the organisation leadership; on the other hand, if it is not done with the necessary training and care, it may in part lead to resignations by other staff who competed, but failed to be appointed. The report unfortunately does not provide the required detail to explain the information provided.

9.3.6. Performance and AG's Audit Opinion
The CBE succeeded to complete more than 50% of the Performance targets stated in its Annual Performance Plan for the 2021/2022 financial year.
As in the previous financial year, the entity received a clean audit report. Its Board is functional, and the internal audit functions well. It complied with the PFMA's in-year and quarterly reports to the Board and the Executive Authority via the DPWI's IGR branch.

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.

10. RECOMMENDATIONS
The committee recommends that the Minister ensure that the department and entities provide reports as follows:
1. A report by the Director-General (or Acting DG) on implementing the Parliamentary Village Board Act (No. 96 of 1998) and establish a fully functional Parliamentary Village Board. Financial reporting and governance needs urgent attention as it has a negative impact on matters such as living conditions, safety, and security of Members of parliament and

sessional staff.

2. Report on the investigation on Procurement Fraud and Irregular Payments' allegations that were made to the transportation companies responsible for the transportation of Members of Parliament and learners to and from the Parliamentary Villages, Parliament and schools.
3. Progress report in the second quarter report of 2022/23 on the skills audit to get a proper fitting of skills in the PMTE at Head Office and across the 11 regional offices to manage the immovable asset register, leases, maintenance contracts, and construction management projects. The report to take into account that vacancies across the DPWI, PMTE and entities remain unfilled. It should further cover whether the lead department have a strategic plan to address the on-going challenge to appoint critical skills in the property, construction and built environment professional sector.
4. A progress report by March 2023 by the DG and Head of the PMTE on the responses from National Treasury and the Accounting Officers of client departments to deal with the outstanding balance of outstanding debt to the DPWI/PMTE so that detail of disputes and other constraining matters can be identified and dealt with.
5. A report on the use of consultants, project managers, and community liaison officers to effectively deal with social unrest and the invasion of projects that causes delays in completion dates and overspending on infrastructure projects. The report to deal with:
   - 5.1. the need for more effective community liaison and social facilitation to ensure community ownership of infrastructure projects;
   - 5.2. a report with the South African Police Service on a strategy to deal with securing and safeguarding construction projects including protection from 'construction mafias'.
6. A report on the strategy to ensure the appointment of designated groups in the organogram as the annual report showed regression in achieving transformation targets.
7. A report on high vacancies and underspending in specifically key programmes such as Facilities Management Services and Asset Registry Services.
8. A report on progress with the SIU investigation into alleged actions related to the registration of contractors at cidb offices having taken place between 1 January 2006 and 15 April 2016.
9. A report on initial investigations dealing with irregularities in lease management at the eleven regional offices to process a Presidential proclamation for further investigation.
10. The CBE to report on the operationalising of the Knowledge Hub, appointment of its management and researchers, and the plan to lead collaborate with research institutions into the built environment professions that could assist the executive authority to design BEP policies that address key matters that influence the BEP in the future. These are matters (not limited to these only) such as:
    - 10.1. fit-for-purpose teaching in BEP faculties at universities and private higher education institutions covering non-standardised innovative green building material and systems;
    - 10.2. the effect of labour intensive building methods on planning, costing, time-to-completion, and construction project management;
    - 10.3. the demands of large infrastructure project management that are funded in public private partnership arrangements on the construction project management as a BEP field;
    - 10.4. the identification of tendencies and trends emerging in legal cases before courts affecting the work of all BEPs to enhance compliance to the Framework for Infrastructure Procurement Delivery Management (FIPDM);
    - 10.5. the skills pipeline from high schools to professional registration; recognition of prior learning that ensures that standards and quality is not diluted in each of the voluntary associations; the relationship between CBE and other BEP associations where BEP professionals register, but are not functioning under its mandated authority.
11. Progress report required from the PMTE Facilities and Construction Project Management team including the lead officials and project manager(s) on the investigation into the

allegation of project mismanagement leading to the Department incurring Fruitless and Wasteful expenditure amounting to R6.7 million (R6 689 725.96) on the project to repair and maintain 1 Military Hospital. The report to include allegations that electrical work was done at the first floor which had to be re-done in a follow-up refurbishment project of the same first floor.

12. A quarterly progress report on the Public Works Bill and the amendment of the legislation of the cidb and the CBE to respectively transform the construction and professional built environment sector to improve the transformation of the construction industry; strengthen the processing of the funds collected for development and progression of contractors on the Register of Projects; and enforce compliance with the Construction Industry Regulations.
13. An update report by August 2023 on the work with the Government Technical Advisory Centre (GTAC) to reconfigure the IDT into a social infrastructure development and property maintenance agency that serves the objectives of the National Development Plan.
14. A report from the DG and leadership and officials of the relevant branch (Real Estate Information Registry Service) that should manage and maintain the Immovable Asset Registry on the reasons why the IAR was reconstructed which led to the restatement of an amount of R129.8 billion for property, plant and equipment in the financial statements, as described in Note 37 of the 2021/2022 AFS.
15. 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.