**Budgetary Review and Recommendations Report of the Portfolio Committee on Public Works and Infrastructure for the Financial Year 2022/23 Dated 18 October 2023**

The Portfolio Committee on Public Works and Infrastructure (the committee, PC PWI) met from 10-12 October 2023 to consider and assess the performance of the Department of Public Works and Infrastructure (the department, DPWI), the Property Management Trading Entity (PMTE), and public works entities for the financial year under review (2022/23). The committee considered and adopted this report on 18 October 2023.

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 was part of the assessment process.

### 1.1. The mandate of the Department

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 and functions in further detail as custodian of government's immovable properties.

The DPWI makes construction and professional built environment policy, regulations and sets standards. The department includes the Property Management and Trading Entity (PMTE) that

[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).

functions as an internal component that implements the mandated functions of the DPWI. The PMTE performs its work from eleven regional offices spread through the nine provinces and major metropolitan regions of the country. It provides construction, maintenance, and property management services to all client departments at national level. This includes office accommodation, maintenance, the rendering of professional built environment services relating to the planning, acquisition, management, and disposal of immovable assets.
Since 2019, the DPWI includes the Infrastructure South Africa (ISA) that works with the National Treasury (NT), and the Development Bank of South Africa (DBSA) to coordinate large infrastructure projects through blended finance mechanisms. This inclusion brings the Infrastructure Development Act (2014) that, amongst others, provides for the facilitation and co-ordination of public infrastructure development which is of significant economic or social importance to the country. This inclusion of coordinating and facilitating public infrastructure development means that the oversight mandate of the portfolio was extended into other spheres (including the Infrastructure Investment Office in the Presidency) and departments and entities of government. Over the five years the committee held strategic planning sessions to deal with this extended mandate and the demands that it brought its the oversight methodology.

Except for regulating the construction sector and professional built environment, the DPWI plays a regulatory role in employment creation opportunities through the coordination of the Expanded Public Works Programme (EPWP). This programme is implemented by departments and sectors at local, provincial, and national departmental levels. The department plays a regulatory, coordinating, capacity-enhancement, and incentive granting role to create employment opportunities in collaboration with provincial and local government counterparts.
The department is further responsible for the following entities:

- Agrément South Africa (ASA).
- Construction Industry Development Board (CIDB).[3]
- Council for the Built Environment (CBE).[4]
- Independent Development Trust (IDT).

**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)[5];
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); and
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; and
Green Building Framework, 2011.

[3] The department regulates the construction industry through the Construction Industry Development Board Act (No. 38 of 2000).
[4] The Department regulates and built environment through the Council for the Built Environment Act (No. 43 of 2000) and the six Professional Council Acts that regulate the six Built Environment Professions.
[5] 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).

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.

### 1.2. The Mandate of the Portfolio Committee

The committee is established as stipulated in section 55 of the Constitution as a mechanism of the National Assembly of parliament that must "ensure that all executive organs of state in the national sphere of government are accountable to it; and to maintain oversight of (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state (section 55(2)(a) and (b) of the Constitution). This means that this committee keeps a check on the policy leadership of the Minister of Public Works and Infrastructure and Deputy Minister whose activities comprise executive action. To remove possible conflation of the committee's duty to scrutinise and oversee executive action and authority, we use the Constitution and financial legislation, to flesh out its meaning in relation to the duties of the Director-General as accounting officer of the department. Section 4(1) of the Public Finance Management Act (PFMA) (1999) sets out the division of responsibility of the executive authority and the head official of the department. The executive authority is the political head responsible for policy. This is an important task that involves the translation of policy ideals into and operational system consisting of implementable programmes funded by the budget allocated in each financial year.

The PFMA guides that the executive authority is not merely in charge of the policy ideals of the department and entities. He or she leads the Director-General (DG) as accounting officer and team leader of top management in the use of the department's budget and human resources to effectively and efficiently get policies implemented. This means applying the legislative framework of the Constitution and financial legislation to manage a system of accounting and reporting that the Director-General and top management must make to the executive authority.

As accounting officer (section 36, PFMA) the DG has to put in place the following:

- "Effective, efficient and transparent systems of financial and risk management and internal control" (section 38(1)(a)(i));
- "a system of internal audit under an internal audit committee (section 38(1)(a)(ii));
- "An appropriate procurement, and provisioning system" (section 38(1)(a) (iii)) that is fair, equitable, transparent, competitive and cost effective (section 217 of the Constitution);
- "a system for properly evaluating all major capital projects prior to a final decision on the project" (section 38(1)(a)(iv);
- must "take effective and appropriate steps to - collect all money due to the department, trading entity or constitutional institution" (section 38(1)(c)(i));
- "Prevent unauthorized, irregular and fruitless and wasteful expenditure and losses ((section 38(1)(c)(ii));
- "Manage available working capital efficiently and economically ((section 38(1)(c)(iii);
- regularly report on its outcomes (sections 36).

The Director-General is the executing authority and chief executive officer of the department; his or her task is to lead the administration of the DPWI in the translation of the policy that the minister makes into implementable programmes.

To ensure that this complies with public law, the Minister must receive reports, analyse them, and ensure steps are taken to comply with the stipulations of the law. This does not mean that the Minister takes over the role of accounting officer; a prudent balance must be found between the Minister as executive authority providing policy guidance and the DG as accounting officer.

As stated above in reference to the PFMA, the accounting officer translates the Minister's policy guidance by establishing effective, efficient, financial risk management and internal control transparent systems, as well as procurement, accounting, and in-year reporting to the Minister, Treasury, and this committee and the Standing Committee on Public Accounts (SCOPA) of parliament.

Among those tasks of the DG and senior management of the department, the PMTE and the boards of entities, are steps that guide budgetary control on effective and appropriate steps to prevent overspending of the vote of the department or a main division within the vote (section 39(2), PFMA) and any impending under collection of revenue; shortfalls in budgeted revenue; overspending of the department's vote or main division within the vote, and any remedial measures that the DG and department might have instituted to prevent overspending of the vote or a main division within the vote.

This fleshing out of relevant sections of the PFMA and its relation to section 217 of the Constitution assists in understanding the mandate of this committee. Firstly, it means that prior to budgetary control reports are made to the Treasury, the executive authority should be informed and receive explanations for such states of affairs. Secondly, it provides an understanding of what executive action means, what policy comprises of, and underscores what scrutiny and oversight means as stipulated in section 42(3) of the Constitution.

The function of the executive authority as policy leader includes keeping an eye on the five-year strategic plan and its reviews, annual performance plans (APPs), alignment with broad policy of government (the National Development Plan (NDP), Vision 2030/2050), the Medium Term Budgetary Framework, annual budget, and quarterly performance reports. Scrutiny and oversight over these planning documents and policy include an analysis by the Minister's office of quarterly performance reports as preparatory process for the annual report analysis that culminates in the committee's budgetary review and recommendation report (BRRR) in October/November each year. When the Minister, Deputy Minister and the department and entities meet with the committee, the analysis of the Minister as policy leader, must inform the presentation of the department, discussions, and progressive steps to implement recommendations that the committee might make.

The committee performs oversight visits to maintenance and construction sites to learn of challenges and constraints that the department and its entities may face in performing its functions. It acts as part of the broader oversight that the Office of the Minister, and the Office of the Auditor-General (OAG) perform to ensure clean governance and efficient use of allocated budgetary resources.

**Levels of oversight**

Informed by the legislative framework, 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. We iterated - as we did during deliberations during the previous financial year - 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.

## 2. EVIDENCE THAT THE COMMITTEE UTILISED

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 utilised the following evidence:

1. The five-year Strategic Plan (2020-2025), and the Annual Performance Plan. Note that we are approaching the middle of this five-year term this is the middle of the five-year term and expect a review of this plan soon.
2. The oversight events of the committee during the period under review. This included:
    - the deliberations with the department and the executive authority and entities during

[6] Ministerial advisors, support staff, in combination with the Deputy Minister and support staff, functions as the Office of the Minister. Often when the Minister and Deputy Minister are unavailable, the advisory and support staff of the Minister and Deputy Minister must keep the executive authority informed of matters and recommendations emerging from meetings and oversight activities.

[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.

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 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 - 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) realize Vision 2030"[10].

The decentralization 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 institutionalizing 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 signaled in the renaming of the department to the Department of Public Works and Infrastructure (DPWI).

During 2022 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 on infrastructure as a component of the committee's responsibility.

### 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

[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.

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 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 signaled 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]

## 4. ANALYSIS OF THE BUDGET AND ANNUAL FINANCIAL STATEMENTS

### 4.1. Budget - DPWI

| | Programmes | Final Approp. | 2022/23 Actual Expenditure | Variance | Expenditure as % | Final Approp. |
|---|---|---|---|---|---|---|
| | | R'000 | R'000 | R'000 | % | R'000 |
| 1 | Administration | 555 009 | 501 103 | 53 906 | 90.3% | 504 598 |
| 2 | Intergovernmental Coordination | 59 505 | 47 776 | 14 429 | 80.3 % | 58 541 |
| 3 | Expanded Public Works Programme | 3 023 397 | 2 982 840 | 40 557 | 98.7% | 2 921 000 |
| 4 | Property, Construction Industry Policy and Research | 4 447 159 | 4 329 002 | 118 517 | 97.3% | 4 780 965 |
| 5 | Prestige Policy | 67 659 | 49 447 | 18 212 | 73.1% | 89 106 |

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.

| | | | | | |
|---|---|---|---|---|---|
| **Totals** | **8 152 729** | **7 910 167** | **242 562** | **97.0%** | **8 354 210** |

Amounts as in Annual Report 2022-2023

The department received a main vote allocation of R8.55 billion with which to accomplish its priorities. This was an increase of 2.3 per cent in nominal terms, and a decline of 2.1 per cent in real terms from the 2021/22 adjusted appropriation of R8.35 billion. During the adjustment period the initial appropriation was adjusted downward by R394.6 million from R8.55 billion to R8.15 billion.

**4.1.1. Under-Expenditure:**

The department spent R7.91 billion of the R8.15 billion which is an under- expenditure of R243 million of the total allocation ( an expenditure rate of 97.0%) for this financial year.

As in previous years of this sixth administration, the areas of underspending of the department's five programmes were once again, the economic classification areas of *Compensation of Employees, Goods and Services, Transfer and Subsidies and Machinery and Equipment.*

The department provided the following explanations for the under-expenditure:

- **Compensation of employees -** total expenditure at the end of the financial year was R514 million (86% of the adjusted budget allocation of R597 million). The unspent balance was R83 million which the department explained as due to the delay in filling of critical positions during the financial year.
- **Goods and Services** - the total expenditure as at the end of March 2023 amounted to R429 million and the expenditure that is (89% of the adjusted budget allocation of R479 million). The balance of R50 million remained unspent at the end of the financial year. The underspending was explained as due to delays in invoices arriving from services providers, implementation of the cost containment measures put into action by the Treasury, and resultant lower than projected expenditure in certain goods and service items.
- **Transfers and Subsidies** - expenditure amounted to R6.955 billion and the expenditure was equivalent to 99% of the adjusted budget allocation of R7.056 billion. The variance of R100 million was allocated with conditions as part of the adjustments estimates process. The stipulated conditions were not fulfilled in time and the adjustment was not implemented. The funding was allocated for project preparation implemented by Infrastructure South Africa.
- **Machinery and Equipment** expenditure for the end of the financial year was R10 million, which was equivalent to 53% of the adjusted budget allocation of R19 million). The unspent amount of R9 million and the underspending was explained as due to delay in acquisition of assets ordered that was still not delivered by year end.

**4.1.2. DPWI - Performance Review:**

- The department reported that it achieved 86 per cent of planned targets. The 14 per cent deviation was explained as due to areas such as disciplinary cases that took longer owing to a number of postponements, changes in representatives and unforeseen circumstances.
- The Expanded Public Works Programme (EPWP) branch created employment opportunities for 1 100 beneficiaries participating in the DPWI skills pipeline interventions programme.
- The branch produced four reports that reflected work opportunities reported by the Public Bodies on the Expanded Public Works Programme-Reporting System (EPWP-RS).
- The Property and Construction Industry Policy and Research branch (Programme 4) once again failed to produce and table the Public Works Bill. This is the second consecutive administration term that the only progress that the department could report was that the process progressed to seeking clarity from and got advice from the Office of Chief State Law Advisers (OCSLA) on the trajectory of the draft Bill.
- DPWI submitted four integrated reports on Strategic Integrated Projects (SIPs).
- DPWI submitted one Draft National Infrastructure Plan 2050 (NIP 2050) Phase 2: Social and Distributed Infrastructure to Cabinet.
- DPWI supported five planned official State events with movable structures, (and an additional seven unplanned events) resulting in a total of twelve State events

supported for the year.
- Owing to the changes to the procurement approach, no progress was achieved in the provision of the planned 80 per cent moveable assets from a condition assessment register of movable assets.

**4.1.3. DPWI Highlights**

- *Government's Land Reform Programme*: A total of 120 997.71 hectares - 110 parcels processed for release;
- *ISA Coordinating Strategic Infrastructure Projects (SIPs)*: 88 SIPs have been gazetted covering foundational infrastructure networks in energy, water and sanitation, transport and digital communications infrastructure. These further cover human settlements, agriculture, and agro - processing.
- *Spending allocated budgetary amounts for transfers*: R433 million transferred to eligible provincial departments - R418.1 million (97% of allocated amounts were spent). Where transfers were not made it was due to non-compliance to the Division of Revenue Act (DoRA).
- *Maintenance of government properties*: R2.7 billion was spent on maintenance.
- *Improved audit opinion*: addressed previous year's audit challenges resulting in the Immovable Asset Register receiving an unqualified audit opinion.
- *Infrastructure and Construction Projects*: R3.05 billion was spent on contractors and consultants for infrastructure projects. About 95 infrastructure projects were completed and 65 sites were handed over to contractors.
- *Improved Construction Project Management*: Managed a property portfolio of 28 683 registered and unregistered land parcels on which 77 537 improvements (buildings and structures) are located across 52 client departments countrywide. Over R3 billion was spent on Construction Project Management (about 86% of its budget allocation for the financial year).
- *EPWP Phase IV Employment Opportunities*: 4 120 307 work opportunities against the target of 5 million work opportunities (82% performance achievement).
- *DPWI Vacancy rate*: An improvement to 11% against the Department of Public Service and Administration (DPSA) baseline of 10%.
- *DPWI Built Environment Professional and Construction Skills pipeline*: 1 100 beneficiaries participated, 18 Candidates obtained Professional Registration within the built environment and 22 of Artisan Trainees obtained trade certificates in various construction fields.
- *Fighting Maladministration and Corruption through Consequence Management*: A total of 506 cases of allegation of fraud, corruption and serious maladministration investigated since 2009. 16 cases were being investigated.
- *Budgetary Control - Improved Expenditure*: DPWI spent 97% (R7.9 billion of R8.1 billion) of the budget on operations.

**4.1.4. Challenges Experienced per Programme**

**Programme 1 Administration**

- Rate of compliance was low due to disciplinary cases taking longer owing to a number of postponements, changes in legal and union representatives and unforeseen circumstances.
- The DPWI did not reach the predetermined target of 2% designated groups in Senior Management Service (SMS) post level 13.
- The incomplete roll out of the ARCHIBUS, and SAGE business process automation has negative consequences - the department reported optimistically that it was progressing well. Unfortunately, this procurement shows evidence of low return on what the DPWI spent. Due to the low level of roll out of modules, this leads to the PMTE still performing manual transactions in key PMTE programmes such as the Immovable Asset Register (IAR), Construction Project Management (CPM) and property maintenance. The ARCHIBUS project was initiated in 2015, however, eight years later only two out of the eight modules are implemented and used by the PMTE. This, despite two suppliers being appointed at a cumulative expenditure of R 36 348 962. In addition, a new supplier has been awarded R 52 207 000 to upgrade, enhance, complete and integrate modules for ERP solution. This matter may arise in the seventh

parliament and needs to be scrutinised further to prevent wasteful expenditure and the writing off of debt.
- The above further negatively impacted on the key performance indicator to have the number of business solutions for digitization implemented.

**Programme 3 Expanded Public Works Programme**

- The EPWP achieved 3 940 719 employment opportunities reported by public bodies into the EPWP-RS against the target of 5 million; unfortunately, this could not be deemed credible by the AG.
- The department reported that this was due to non-reporting by public bodies affecting the number of work opportunities being reported. It undertook to continue providing technical support to public bodies to increase the labour-intensity of projects that could increase the number of work opportunities. It was already engaging public bodies to use their own funding through other conditional grants or equitable share to mitigate budget cuts.

**Programme 4 Property and Construction Industry Policy and Research**

*The Public Works Bill***:**

This branch has not completed the desired policy for the sector. It reported that it successfully gazetted the first draft of the Public Works Bill for public comment. The incompleteness of this project has the consequence of eroding trust in the DPWI as accommodator, maintainer, and policy leader of government immovable assets. This further led to the manual contracting of government properties on an IAR that holds billions of Rands that the PMTE could use to relieve pressure of the fiscus. This bill had to completed in the fourth and fifth administrations and is once again handed over to the next administration.

*Amendment to the Infrastructure Development Act (2014)*

The department reported that this target has been reached as the amendment bill has been processed by parliament and would be ready for legislative processing in the sixth parliament.

**4.1.5. Irregular Expenditure**

- New irregular expenditure reported for the current financial year amounted to R3,9 million. This matter arises from previous financial years and related to salary payments due to officials whose appointments were found to be irregular by the Public Service Commission investigation. The former Minister took the matter to the Labour Court for review. The challenge is that if this amount is an annual salary awarded, then the amount may increase and once the Labour Court finds in favour of the employee, the department may have to again incur irregularly expenditure amounting to over R3,9 million.
- Transactions amounting to R46 million included in the balance of R120.7 million have been referred to labour relations to implement consequence management.
- The department reported that on 02 August 2022, it processed an application to Treasury for the condonation of R188 million. National Treasury responded with several letters and the matters are with the Accounting Officer as the delegated authority in line with the Compliance Framework for a decision. One of the responses from NT indicated that transactions amounting R83 million did not meet the definition of irregular expenditure and were classified as Prior Period Error.

**4.1.6. Opinion and Actions to Address Irregularities - Auditor-General of South Africa (AGSA) in the 2022/23 DPWI Annual Report**

- The audit remains unchanged with an unqualified audit opinion as in the 2021/22 financial year, with an emphasis of matter and other matters.
- The emphasis of matter is due to impairment of receivables, disclosed in note 10.5 of the annual financial statements, impairment of receivables amounting to R77 174 000 (R77.2 million) was disclosed as a result of long outstanding debts, which have not been recovered.

**Status of Material Irregularities Reported in 2021/2022**
**DPWI - Appropriate Actions**

a) Payments on state funerals that exceeded contract amounts - disciplinary actions were taken and Special Investigating Unit (SIU) was in the process of recovering the financial loss of R9.1 million.

Payments on state funerals that exceeded contract amounts. Disciplinary processes were finalized and financial loss recovery of R0,8 million was in progress.

b) In following up on the unfair procurement process in the Beitbridge project, disciplinary processes were finalized, and employees were charged. This action stopped a likely financial loss of R17 million.

c) Regarding payments made being out of line with the bill of quantities, disciplinary processes were finalized, and employees charged. The SIU recovery of financial loss of R1 million was ongoing.

d) PMTE lease overpayment (lease no: 140227) on a property used by Department of Defence. The AG reported that financial loss of R3,8 million was recovered and disciplinary actions were taken. The on-going concern of weak control environment remained.

e) Lease overpayment (lease no:140280) on a property used by the Department of Rural Development and Land Reform. The whole financial loss of R10,9 million was recovered and disciplinary actions taken. Weak control environment remains a concern.

f) Lease overpayment (lease no: 139901) on a property used by the Department of Justice and Correctional Services. Financial loss of R1,5 million of R4,5 million was recovered and disciplinary actions were taken. The on-going concern of weak control environment remains to be addressed.

g) Incorrect approval of an extension of time on Magistrate Court project. Recovery of R3 million and disciplinary processes were reportedly in progress.

**Incomplete Actions:**

a) PMTE - regarding assets that were not safeguarded at Leeukop prison: Recommendations that the AGSA made to the Accounting Officer (AO) were not implemented: The department reported that it was still investigating the non-compliance, quantifying the losses, and promised to take disciplinary actions by 30 January 2023.

b) Overpayment on purchase of bridge materials (not paid according to Bill of Quantities (BOQ) and delivery costs (delivery weights and distance paid higher than actual weight and distance) for the Welisizwe Rural bridges projects – auditee to quantify the full loss.

c) IDT - VAT payments were made late, which resulted in SARS instituting penalties and charging interest of R1,8 million. Recommendations were made to the AO to investigate the losses and take disciplinary actions against responsible officials and recover the losses by December 2023.

### 4.2. The Property Management Trading Entity (PMTE)
#### 4.2.1. Budget

| Revenue | 2022/23 | | | |
|---|---|---|---|---|
| | | Actual receipts | Variance | % recovered |
| | R'000 | R'000 | R'000 | |
| Accommodation charges - leasehold | 5 473 266 | 5 204 134 | 269 132 | 95% |
| Accommodation charges - state owned | 7 111 379 | 6 880 296 | 231 083 | 97% |
| Accommodation charges freehold- private | 73 468 | 61 676 | 11 792 | 84% |
| Augmentation | 3 912 823 | 3 912 823 | 0 | 100% |
| Interest, fines, recoveries and other receipts | 30 000 | 31 727 | -1 727 | 106% |
| Municipal Services Management Fees | 255 006 | 148 195 | 106 811 | 58% |
| Construction revenue | 0 | 0 | 0 | 0% |
| Cash received in advanced | 0 | 0 | 0 | 0% |
| **Total** | **16 855 942** | **16 238 851** | **617 091** | **96%** |
| Municipal Services recovered | 5 100 126 | 2 954 277 | 2 145 849 | 58% |
| **Total revenue** | **21 956 068** | **19 193 128** | **2 762 940** | **87%** |

Annual Report DPWI and PMTE 2022/2023

It must be noted that the PMTE receives revenue through transfers from the DPWI main vote (programme 4).

#### 4.2.2. Expenditure per Economic Classification

| Expenditure Items | 2022/23 | | | |
|---|---|---|---|---|
| | Final budget | Total Expenditure | Variance | % Spent |
| | R'000 | R'000 | R'000 | % |
| **Current Payments** | | | | |
| Cleaning and Gardening | 346 551 | 346 886 | - 335 | 100% |
| Admin Goods and Services | 399 943 | 359 923 | 40 020 | 90% |
| Maintenance | 2 785 518 | 2 774 431 | 11 087 | 100% |
| Municipal Services recovered | 5 100 126 | 3 769 347 | 1 330 779 | 74% |
| Leasing (Private owned) | 5 639 869 | 5 852 543 | - 212 674 | 104% |
| Property Rates | 1 815 978 | 1 823 858 | - 7 880 | 100% |
| Compensation of Employees | 2 155 560 | 2 140 953 | 14 607 | 99% |
| Municipal Services non-recoverable | 429 419 | 433 456 | - 4 037 | 101% |
| Covid 19- Requirements | - | - | - | - |
| **Total current payments** | **18 672 964** | **17 501 397** | **1 171 567** | **94%** |
| **Capital Payments** | | | | |
| Capital recoverable | 2 042 809 | 1 396 218 | 646 591 | 68% |

| | | | | |
|---|---|---|---|---|
| Capital non-recoverable | 1 186 462 | 1 215 143 | - 28 681 | 102% |
| Machinery & Equipment | 53 833 | 52 145 | 1 688 | 97% |
| **Total capital payments** | **3 283 104** | **2 663 506** | **619 598** | **81%** |
| **Total** | **21,956,068** | **20,164,903** | **1,791,165** | **92%** |

Annual Report DPWI and PMTE 2022/2023

**4.2.3. Explanations - Underspending and Variances**

**Real Estate Management Services**

- The low spending was due to municipal services that the PMTE paid on behalf of the client departments. Although the function of payments for municipal services was devolved in 2006, the PMTE continued administering these accounts on behalf of the clients. The PMTE reported that this would be devolved in totality and had to be phased out but could not state a date when this would be completed.
- The PMTE reported that this cost item was fully recoverable and that it was included for cash flow purposes.
- Municipal Services expenditure was based on actual consumption by client departments and usually fluctuated due to factors such as electricity usage and load shedding as well as alternative energy solutions implemented by some client departments.
- As with the previous cost item, the PMTE stated that this budget amount was reported as for cash flow projection purposes and was not to be treated as an underspending.
- The unspent funds which were allocated for the rectification of illegally occupied properties that further contributed to underspending.

**Construction Project Management Services**

- In the fourth quarter performance report, the PMTE reported that it completed 59 out of the targeted 125 construction projects - this meant that by the end of the financial year it achieved only 47% of its predetermined target.
- In engagements with this committee on its fourth quarter performance, the PMTE provided reasons such as construction projects across the country being stopped by local contractors demanding participation in projects; slow progress due to financial/cash flow difficulties of small and medium sized contractors; approval of funding by the client departments after awarding of projects; in some cases contractors requesting extension of project completion time due to late finalisation of internet infrastructure installation and access routes required for certain courts and legal offices by the Department of Justice and Correctional Services client; in other cases, extension of project completion time due to having to source another contractor; inclement weather; and in other cases, the inability of the client department availing the working space for the contractor etc.
- In the meeting discussing its annual report, the delays reported in the quarterly performance report showed that the entity was unable to prevent these from negatively impacting on the PMTE's expenditure trends.
- The PMTE explained that although the difference between the allocated budget and actual expenditure by the end of the financial year might look like an overspending, it was offset by underspending on the capital items; this was due to a reclassification of projects between capital and operational payments.
- Delays in budget approvals led to under-expenditure as projects could not be placed on the PMTE procurement plan without client departments signing off on the allocated budgets and cost of projects. In cases where recommended bids were higher than the estimated costs and increased the cost of the projects, the PMTE had to request approval from the client departments before tenders were advertised. Delays in client responses was the major cause of under-expenditure. Clients were expected to sign-off on their available allocations before the start of the financial year, but some client department make allocations for construction projects available only during the first quarter of the financial year.
- On-site defaulting contractors and other subcontractors that do not deliver in accordance to the projected project expenditure caused further delays.
- Delays in the filling vacant funded positions also contributed to under-spending.

**4.2.4. PMTE Financial Position**

We deal with assets and liabilities to provide an analysis of the entity's financial position. Despite the high value of immovable assets under its control, the PMTE remains in a weak financial position. It struggles to collect payments made on behalf of clients, and debt for services rendered. This is due to a lack of legislation enabling it to implement its mandate fully and trade the value of government's immovable assets.

**PMTE Assets**

| | 2023 R'000 | 2022 R'000 | Year on Year R'000 | % change |
|---|---|---|---|---|
| **Current assets** | **3,558,996** | | **-1,105,072** | **-24%** |
| Receivables from exchange | 3,063,507 | 4,182,857 | -1,119,350 | -27% |
| Receivables from non-exchange | 982 | 941 | 41 | 4% |
| Operating lease asset | 471,867 | 477,464 | -5,597 | -1% |
| Cash and cash equivalent | 22,640 | 2,806 | 19,834 | 707% |
| Non-current assets | 149,720,936 | 150,442,852 | -125,005 | -0,09% |
| **TOTAL ASSETS** | **153,279,932** | | **-943,846** | **-0,6%** |

The PMTE explained the 27% reduction in receivables as due to the tendency of some client departments to pay late for services rendered. It urgently requires policy and legal instruments to be fully operational as an immovable asset entity that can collect debt, realise the value of government's assets, and contract with government and private parties on an equal footing.

In addition, the application of the Prescription Act (1969) relating to debt on private leases owed to the landlords, resulted in a decrease in revenue accrual from some client departments; the Prescription Act states that once the relevant time period to pay debt was over, unless prescription was interrupted, such debt may be extinguished. This points to the need for the PMTE to design lease contracts carefully so that its financial position is not negatively influenced as shown in the overall reduction of current assets.

The growth spurt of R20 million in the cash amount shown (707% from 2022) in the table was explained as due to funds received in 2023 from Coega as one of the PMTE implementing agents.

**PMTE Liabilities**

| | 2023 R'000 | 2022 R'000 | Year on Year R'000 | % change |
|---|---|---|---|---|
| **Current liabilities** | **11,820,678** | **11,931,487** | **-110,809** | **-1%** |
| Operating lease liability | 458,860 | 461,765 | -2,905 | -1% |
| Bank overdraft | 1,843,111 | 851,502 | 991,609 | 116% |
| Deferred revenue | 4,280,416 | 4,022,860 | 257,556 | 6% |
| Payables from exchange | 3,344,878 | 5,133,998 | -1,789,120 | -35% |
| Retention liabilities | 371,032 | 329,191 | 41,841 | 13% |
| Employee obligation | 185,382 | 206,273 | -20,891 | -11% |
| Finance lease obligation | 5,752 | 2,661 | 3,091 | 116% |
| Provision | 1,331,247 | 923,237 | 408,010 | 44% |
| **Non-current liabilities** | **2,769,165** | **2,947,248** | -178,083 | -6% |
| **TOTAL LIABILITIES** | **14,589,843** | **14,878,735** | -288,892 | -2% |

| | | | | |
|---|---|---|---|---|
| **NET ASSETS (Accumulated Surplus)** | **138,690,089** | **140,228,185** | -1,538,096 | -1% |
| **Current liabilities** | **11,820,678** | **11,931,487** | -110,809 | -1% |

- In the fourth quarter performance report for this financial year the PMTE reported that its bank overdraft was R1,4 billion; this has grown to R1,8 billion by the end of the financial year, and is a 116% growth from the 2022 financial year.
- This committee recorded its deep concern about the growing overdraft. The entity used the overdraft facility due to actual receipts for 2022/23 invoices amounting to R 15 billion (93% recovery rate) by the fourth quarter. In addition to the budgeted revenue streams, the recovery rate on municipal services was 66% in the fourth quarter. Recovery on accommodation charges improved during March 2023 but low recovery of payments from clients for service fees to municipalities saw the overdraft growing at an alarming rate for this financial year.
- Deferred revenue shows the amount of capital expenditure incurred and the number of projects that reached practical completion.
- Payables from exchange shows the R1,8 billion due to the write off and a restatement of prior year accruals identified from subsequent payments.

**PMTE Irregular Expenditure**

- *New irregular expenditure reported* in this financial year was R161.6 million, of which R141 million was discovered in the current audit cycle.
- *Regarding previous year irregular amounts*, the PMTE reported that:
  - On 02 August 2022 the PMTE applied to National Treasury to condone R1,6 billion. In line with the PFMA and the financial regulatory framework, Treasury referred the matter to the DG as accounting authority to make a decision on writing off this amount.
  - The R3.8 million irregular expenditure was reported as prior period error transactions that related to the 2021/2022 financial year.
  - The addition in the 2021/22 financial year of R165 million included an amount of R67 million which was discovered during the 2022/23 financial year. Due to the change in the reporting framework issued by National Treasury, the 2021/22 balance had to be adjusted to include the R67 million.

**PMTE Fruitless and Wasteful Expenditure**

- The 2021/22 opening balance of fruitless and wasteful expenditure was R46,5 million; this related to the beautification of school's projects for the Department of Basic Education.
- An amount of R406 thousand was discovered in 2022/23 which related to the 2021/22 financial year. This included R377 thousand that was referred to labour relations to implement disciplinary measures as consequence management against officials.
- Still related to consequence management, R4 thousand was added in this financial year for finance to recover money from the responsible official.

### 4.3. Public Works and Infrastructure Entities

### 4.3.1. The Independent Development Trust (IDT)

**Background**

In terms of the Public Finance Management Act (PFMA) the IDT is listed as a Schedule 2 entity. 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 was a challenge with the DPWI having to provide grants over the last few years to ensure that it continued operating.

**New Board**

Since the appointment of a new Board eighteen months ago, governance and administration has been largely restored and the entity is operating reasonably well.

The entity shows a renewed commitment to remain the key social infrastructure delivery of government. Guided by the executive authority and the Deputy Minister, the Board, as put measures in place to transform and reconfigure the IDT into a fit-for-purpose and financially

viable social infrastructure entity that can deliver.
It is in the process of a reconfiguration process driven by the executive authority at the level of Cabinet. The attempt to reconfigure the IDT is not new. As early as March 1997 Cabinet resolved that the IDT should be "…transformed into a Government Development Agency that will implement projects which are commissioned by Government Departments."
Transforming the entity into such an agency involves close collaboration of the Board with the National Treasury team that was appointed to assist with the process. A business case was completed and presented to the board and the executive authority.
The business case recognised the need for the IDT as a social infrastructure delivery entity. The board made a detailed presentation on the current state of the IDT to Cabinet and the Presidential State-Owned Enterprises Council.
Some of the challenges identified by the new Board was that critical technical staff had left that negatively affected the entity's performance. Staff morale remained low as a result of the uncertain future of the IDT following attempts to dissolve the entity in the 2020/21 financial year.

The cumulative impact was that the entity could not deliver on its mandate effectively. Client departments doubted the ability and relevance of the IDT as a social infrastructure entity.

**Improvement Strategies**

The entity worked on multiple strategies to rebuild the IDT and restore confidence in its abilities, and its integrity.

As in the previous financial year, it was important to continue with:

- 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.

**Restoring the IDT**

The brand remains a key part of rebuilding the entity. It started measuring client satisfaction levels so that it could identify needs and expectations and address emerging challenges on time.

The entity reported to the committee that these efforts resulted in its business portfolio increasing to a reasonable level. It remained aware that there is still a need for support in the form of a steady project pipeline from the Minister as government shareholder.

**Preferred Social Infrastructure Entity**

The committee was a vocal proponent of the DPWI and PMTE using the IDT as preferred construction project and social facilitation coordinating and management entity specifically for government social infrastructure projects.

**Improved Financial Health**

The IDT reported improvement to its financial state due to aggressive efforts to find business generation activities. The business portfolio exceeded R6.6 billion, while programme expenditure stood at R3.319 billion.
Confidence in the IDT as an implementing agent was slowly returning. Despite these improvements, the entity still needs a capital transfer from the DPWI to fund operational costs. The entity hoped to move towards complying with its PFMA schedule 2 status so that it could fund itself.

**Improvements Reported:**

**Supply Chain Management (SCM)**

The entity focused on getting qualified, experienced personnel into its SCM system so that it could manage and grow its business portfolio in the next few years and operate as an income-generating social infrastructure entity of government.

**Corporate Governance**

Several initiatives were undertaken to strengthen governance in the entity. Some of these include the following:

- The appointment of independent experts to serve on some of the board committees.

- The review and update of policies to bring them in line with the latest developments in legislation and other governance prescripts.
  Strengthening the capacity of both internal audit and risk compliance units by appointing suitably qualified personnel.
- Developing and implementing a litigation strategy to guide management on the best way to reduce litigation cases. As a result of these interventions, litigation cases have been reduced, and the number of problematic projects has been reduced significantly, leading to renewed client confidence in the IDT.

**Audit Outcomes Negated Reported Improvements**

The entity received a qualified audit opinion with matters for the second financial year. This was a significant improvement from more than five consecutive disclaimers in previous financial years.

The IDT reported that the basis for the qualified audit opinion was due to the material uncertainty relating to the entity's going concern status due to the cash flow forecast for the year ending 31 March 2024 that equals a net cash outflow resulting in a significant decline in available resources. It includes list of contingent liabilities against the IDT as well as programme liabilities amounting to R1.7 billion.

**Areas of audit qualifications:**

*Unauthorised, Irregular, Fruitless, and Wasteful Expenditure:*

The AG expressed this qualification as the IDT did not take effective and appropriate steps to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be qualified. The majority of the irregular expenditure in the financial statements was caused by non-compliance with Supply Chain Management prescripts.

Effective steps were also not taken to prevent fruitless and wasteful expenditure as disclosed in Note 22 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by the incurrence of interest and penalties. Resources of the IDT were not utilised economically, as required by section 57(b) of the PFMA.

*Revenue Management:*

Effective and appropriate steps were not taken to collect all revenue due to the IDT as required by section 52(1)(b)(i) of the PFMA.

*Non-Compliance with the PFMA and Financial Regulations:*

Programme liabilities for goods and services received but not yet paid was recorded which resulted in programme liabilities and programme assets disclosed in note 5 being understated by R57 776 990 (R57.8 million).

*Procurement and contract management:*

The AGSA reported that the entity did not procure some of the goods, works or services following a system that is fair, equitable, transparent, competitive, and cost effective, as required by section 217 of the Constitution and section 51(1)(a)(iii) of the PFMA. This was also the case in the previous financial year and required urgent attention.

Some of the contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act (2000) (PPPFA) and related Preferential Procurement Regulation 2017.

Some of the contracts and quotations were awarded to bidders based on pre- qualification criteria that differed from those stipulated in the original invitation.

*Consequence management:*

Investigations into irregular expenditure were not performed. This was of serious concern. The AGSA could not find sufficient and appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)9E0(iii) of the PFMA.

The AGSA was unable to obtain sufficient and appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)9E0(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

*Internal controls:*

Management had not implemented adequate controls to ensure that monthly reconciliations of transactions and validation information were performed to support valid, accurate and complete financial reporting, which has resulted in misstatements in the annual financial statements and Annual Financial Performance Report.

Disciplinary hearings were not held for confirmed cases of financial misconduct committed by members of the accounting authority, as required by Treasury Regulation 33.1.3.

Disciplinary hearings were not held for confirmed cases of financial misconduct committed by officials, as required by Treasury Regulation 33.1.1.

Allegations of fraud exceeding R100 000 were not reported to the SAPS, as required by section 34(1) of the Prevention and Combatting of Corrupt Activities Act (2004) (PRECCA).

*Reports on SIU Investigations:*
The former President, in terms of the Special Investigation Unit (SIU) and Special Tribunal Act, 1996, authorized the SIU to investigate certain matters in respect of:

- the procurement of, or contracting for goods, works or services by the IDT on behalf of the Department of Basic Education (DBE) and payments made in respect thereof. The investigation was concluded and tabled. The report was currently locked in a dispute resolution process.
- the procurement of, or contracting for goods, works or services by the IDT on behalf of the Department of Correctional Services DCS) and payments made in respect thereof. The investigation has been concluded and tabled. The entity is to implement the remedial action and recommendations as indicated in the report.
- the Construction of New Courts Programme implemented on behalf of the Department of Justice. The investigation was still in progress at the date of this audit report.[80]

The IDT reported that the Board resolved to commission two investigations to be conducted by the National Treasury on allegations of corruption, financial mismanagement, and maladministration. At the time of reporting this had to still be initiated.

### 4.3.2. Agrément South Africa

**Background**

The entity is constituted by the Agrément South Africa Act, 2015 (No. 11 of 2015) (ASA), and is an entity of the National Department of Public Works and Infrastructure (NDPWI). Its mandate is within the domain of the built environment, as such, the legislation mandates that its impact on the built environment and public works guide the functioning and operations of ASA.

**Mission:**

"To enhance ASA's position as an impartial and internationally acknowledged South African centre of excellence to:

- Provide assurance to specifiers and users of the fitness-for-purpose of non-standardised construction related products or systems.
- Support and promote integrated socio-economic development in the Republic, as it relates to the construction industry.
- Support and promote the introduction and use of non-certified standardised construction related products or systems in the local or

international market; and
- Support policymakers to minimize the risk associated with using non-standardised construction related products or systems."[14]

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

**Alignment with the broad policy frameworks**
The ASA is committed to and contributes to the economic reconstruction and social development policies of government. The certificates of compliance of quality fit-for-purpose innovative construction product and systems that small, medium, and micro enterprises (SMMEs) produce create a platform to create employment opportunities and contribute to socio-economic development.

The ASA Act requires the entity to:
- Make rules, determine the processes, procedures, and forms for and relating to the (a) issuing; (b) amendment; (c) suspension; (d) reinstatement; (e) withdrawal; or (f) renewal, of an ASA Certificate.
- Test non-standardised construction related products or systems for safety and fit-for-purpose use; and if satisfied, subject to the payment of the required fees, issue certificates in the prescribed form.
- Monitor the use of certificates and manage the renewal of certificates; and
- Establish and maintain a public register of rejected applications and certificates that were issued, amended, suspended, reinstated, withdrawn, and renewed.

To give effect to this legal mandate and through the administration and mechanisms it put in place, ASA developed:
***ASA Eco-Labelling system***
- ASA is the competent body to undertake Eco-Labelling for government buildings and products for a renewable period of five years.
- The Eco-Labelling system will address aspects such as indoor air quality, comfort, environmental, material and energy resource conservation.
- Eco Labelling will be incorporated in the DPWI's Standard Specifications for construction related works.

***A Green Rating Tool for public buildings***
- ASA is mandated to rate public sector buildings using green building rating tool that is still being formulated.
- This presents an opportunity to rate the current public buildings.
- New buildings shall be built according to set standards and thus contribute towards the green economy.

***Strategic links***
With Members of the World Federation of Technical Assessments Organisation (WFTAO), CIDB, CBE, National Home Builders Registration Council (NHBRC), South African Bureau

[14] ASA (2023) Annual Report

of Standards (SABS) and Government Departments.

**Budgetary Allocations per Programme**

| **Statement of financial performance** | **Budget** | **Medium Term Estimates** | | |
|---|---|---|---|---|
| *R thousand* | **2022/23** | **2023/24** | **2024/25** | **2025/26** |
| **Revenue** | | | | |
| **Non-tax revenue** | **2,820** | **3,764** | **4,249** | **4,499** |
| Sale of goods and services other than capital assets | 1,801 | 2,401 | 2,886 | 3,136 |
| Administrative fees | 1,231 | 1,831 | 2,031 | 2,281 |
| Sales by market establishment | 570 | 570 | 855 | 855 |
| Other non- tax revenue | 1,019 | 1,363 | 1,363 | 1,363 |
| **Transfers received** | **33,951** | **34,082** | **35,613** | 37,117 |
| **Total revenue** | **36,771** | **37,846** | **39,862** | **41,616** |

**Statement of Financial Performance**

| **Statement of financial performance** | **Budget** | **Medium Term Estimates** | | |
|---|---|---|---|---|
| *R thousand* | **2022/23** | **2023/24** | **2024/25** | **2025/26** |
| **Expenses** | | | | |
| **Current expenses** | **36,771** | **37,846** | **39,862** | **41,616** |
| Compensation of employees | 25,025 | 26,596 | 27,757 | 28,969 |
| Goods and services | 10,833 | 10,879 | 11,374 | 11,882 |
| Depreciation | 913 | 372 | 732 | 765 |
| Solidarity Fund | – | – | – | – |
| COVID-19 expenses | – | – | – | – |
| **Total expenses** | **36,771** | **37,846** | **39,862** | **41,616** |

ASA's revenue comprised of:

- R33.95 million Grant Income from DPWI,
- R1.59 million in Assessment Fees,
- R1.72 million in Interest Received and
- R324 000 in Recoveries.

Operational expenses amounted to R15.0 million in 2022/23 which was an increase of R10 million from the R4.99 million of the previous year.

The entity received approval to retain R22.9 million, which was a cash surplus from the previous financial year.

ASA financial information shows that it accumulated a surplus of R21 784 667 (21.8 million) and that its total assets exceeded its liabilities by R 22 231 415 (R22.2 million). This cements the entity's operations for this financial year under review as a going concern.

**Performance review**

ASA reported the following achievements:

- Ten (of 20 planned) Agrément certificates were issued. Products and systems where certificates were issued include, building systems, sanitation systems, and paint.
- Achieved ten of twelve planned targets, (i.e., 83 per cent of the 100 per cent target) for 2022/23.
- ASA's Research and Development Department ASA developed a feasibility study for

the development and implementation of a DPWI Green Building Rating Tool (GBRT) to rate the use of innovation, Alternative Building Technologies (ABT) and Socio-Economic development imperatives. This contributes significantly to the DPWI Green Building Policy.

- A Business Plan outlining the sustainability of the proposed tool was being developed. In addition to the GBRT, ASA launched the Eco-ASA scheme.
- ASA approved six specifications during the 2022/23 financial year. Overall, the organisation has approved eleven Eco-ASA specifications that will enable ASA to issue Eco-ASA labels on all these categories to promote sustainable development.
- ASA generates its own revenue in the form of Assessment Fees. During the 2022/23 financial year, ASA was able to generate R1.6 million.
- ASA spent R42.1 million (of the R59.7 million adjusted budget of 2022/23. The overall expenditure was contained within the allocated budgets. The underspending on the budget can be attributed to vacancies within the organisation and delays in finalising various projects.
- ASA had a 14.3 per cent vacancy rate for the 2022/23 financial year.
- It reported that a total of 579 invoices were paid within the legislated 30-day payment period; one invoice of R78 497 was not paid within 30 days due to a delay in the invoice being submitted to finance.

Significantly, the Auditor General team's sample audit test comparing performance targets and indicators in initial planning documents with reported achievements showed that they were the same; that they followed the prescribed process and format for performance information reporting purposes; and that sufficient material evidence was provided that they were indeed achieved.

**AG Audit Opinion**

As in the previous financial year, ASA received an unqualified audit opinion on its financial statement. The AG referred to some matters as follows:

*Expenditure Management*

The AGSA reported:

- Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in Note 27 to the annual financial statements, as required by Section 51(1)(b)(ii) of the PFMA.
- The majority of the irregular expenditure was caused by contracts being extended without approval.
- Irregular expenditure amounting to R5.3 million was incurred on the Council for Scientific and Industrial Research (CSIR) rental contract.

The irregular expenditure reported under Note 27 increased by R807 988 from R2.35 million in 2021/22 to R3.15 million in 2022/23. This related to office accommodation that was identified and confirmed during the 2022/23 financial year which meant that irregular expenditure for the previous financial year (2021/22) was restated as R2 363 796 or (2.36 million). This represents an increase of R2 089 554 or (2.09 million) in irregular expenditure reported in 2022/23.

*Non-Compliance with the Legislative Framework*

The ASA had significant internal control in place that limited possible deficiencies that might have resulted in the material findings in compliance with legislation.

Lack of sufficient controls to ensure compliance with relevant Supply Chain Management Regulations, which resulted in irregular expenditure (related to the previous financial year) being incurred as referred to above.

**ASA Risk Management**

*Executive management's role to manage risk:*

The entity's executive management stated awareness that the risk management framework can neither provide absolute assurance that its objectives will be achieved, nor can it be expected to entirely prevent material errors, losses, fraud, and the violation of laws and regulations.

- The Executive Management owns and manages risk and is responsible for maintaining effective controls and executing risk and control procedures daily.
- It involves identifying and assessing risks being undertaken and establishing appropriate controls to mitigate the risks.
- There are adequate management controls in place to monitor ongoing compliance and to highlight control breakdown.

The risk management function wants:

- to identify and manage the strategic, operational, financial, performance, and financial reporting and compliance risks to which ASA is exposed,
- to promote effectiveness and efficiency in the ASA operations,
- to promote reliable performance and financial reporting, and
- to promote compliance with laws and regulations

Other components of the risk management function are as follows:
*Audit and Risk Committee*
Oversight Committee of the board and support the Executive management and help ensure that the risk and control procedures are operating as intended.
*Internal Audit*
Report to Audit and Risk Committee and provide independent objective assurance on the effectiveness of governance, risk management, and internal controls, including how managers manage and control risks.
Systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
**ASA Commitment:**
The entity stated that it wants to continue providing innovative product certifications for SMMEs to contribute to the broad policy objective for economic growth and employment creation.
As reported, the entity wants its Eco-labelling and Green Building rating tools, to forge a path for an environmentally friendly, green economy for South Africa.
It is ready to contribute to economic development by testing, quality checking as the pathway to introduce appropriate and suitable products.
Facilitates partnerships with other public entities and helps reduce backlogs in different areas through innovative building technology systems (IBTs), i.e., Housing Backlogs
Facilitates the global acceptance of South African-produced products.
Provides independent and authoritative technical assurance of fitness for purpose.

### 4.3.3. Construction Industry Development Board (CIDB)

**Background and mandate**
This is a Schedule 3A public entity established by the Construction Industry Development Board Act (No. 38 of 2000). The entity is responsible for providing leadership to construction sector stakeholders, to coordinate constructors, to keep a register of constructors, and to stimulate sustainable growth, reform, and improvement of the construction sector.

This is necessary to enhance the role that the broad construction sector can play to strengthen the road to economic and social development as government's policy objective. In terms of the Public Finance Management Act, the Board of the CIDB is the accounting authority of the entity that reports to the Minister responsible for the Public Works and Infrastructure portfolio.

The board does this by submitting its Annual Performance Plan and required budget to the executive authority. This entity and the Minister reports to the Portfolio Committee on Public Works and Infrastructure on its Annual Performance Plans and Annual Report. The committee may further call it to report on strategic issues identified during its oversight activities throughout its term.
**The Mandate is to:**

- 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.

**The CIDB Board - A Stable Governance and Oversight Structure**

The Board provided a stable foundation and fertile work environment for the entity to give effect to its legislated mandate, focus areas, mission, and vision.

The Board strived to function as a progressive decision-making body while playing an effective oversight role over the entity. It continued to monitor strategies, policies, procedures, and plans of action, assessing the organisation's performance against these. Through engagements with the Minister, the Board received policy guidance to ensure development, transformation and perform regulatory tasks that emerged from National Stakeholder Forum (NSF) discussions. The organisation acquitted itself well against these imperatives and ongoing issues will be taken forward by the new NSF, which will serve in the medium term from 2023 to 2025.

**Achievements**

The CIDB reported the following:

- progress in linking the online system to National Treasury's Central Supplier Database, which eliminates the administrative burden on contractors to duplicate documents when applying for Register of Contractors (RoC) registration. The system now enables contractors to register at a higher grade once they have a qualification in construction. The CIDB hoped this would be an incentive for young graduates.
- performance against its performance indicators and targets for the year showed that all 15 planned objectives were met or exceeded.
- receiving an unqualified audit report that reflected the hard work of the administrative and management team, guided by the chief executive and financial officers.
- the completion of the fourth year of the five-year strategy, with its five pillars of transformation, development, regulation, client capacitation and establishing a performance-driven CIDB.
- The B.U.I.L.D Programme showed evidence of gaining traction in the sector and looks set to have a significant effect on development of the construction and infrastructure sector.
- The development of the CIDB Amendment Act was progressing and the entity engaged with and received opinions from the Office of the Chief State Law Adviser, National Treasury and the Department of Justice and Constitutional Development.
- The 2023 quarter one CIDB Small and Medium Enterprises Business Conditions Survey revealed a slight lift in sentiment among contractors on grades 3 to 8, with both confidence and activity above the long-term average and healthier order books.
- The CIDB Construction Monitor noted that at the end of 2022, the value of construction projects awarded increased by more than 100% to R128 billion from R61 billion of 2020. Construction projects were situated mainly in Gauteng (42%), Free State (19%), KwaZulu-Natal (13%), Western Cape and Eastern Cape (8%). As a result, the project split between public and private sectors stood at 85% and 15% in 2022. Public sector contracts were around R108 billion, a R65 million rise from 2021.

- Activities during 2022/2023 showed positive movement in the construction sector as the entity processed 14.25% more applications (more than 90 000) for contractor registrations than in the 2021/2022 financial year.
- The number of tenders advertised in the public sector increased slightly to just over 4 300.
- The CIDB balance sheet showed evidence of improvement. Income from the entity's registers rose from R97 million to almost R140 million, with grants received up marginally, from R78 million to R80 million, and finance income rising by around R3 million.
- B.U.I.L.D revenue more than doubled, from R62 million to R139 million, which bodes well for the initiative and demonstrates the growing recognition among stakeholders of the pressing need for transformation and professionalism through skills and enterprise development.
- The AG noted no irregular, fruitless nor wasteful expenditure in the CIDB financial statements, reflecting an effective internal control system that remains in compliance with the legislative framework.
- The CIDB administration and management team reported 100% achievement against planned performance indicators and targets showing focus, agility and commitment.
- Online applications accounted for 74% of the total during the year, with registration turnaround time improving from 96% in the previous year to 100%. Systems uptime – a crucial aspect for a company that relies on its online capabilities to allow contractors and clients to fulfil their responsibilities – reached 98% against a target of 95%.
- The target for implementation of the action plan emanating from NSF discussions was also surpassed. This far-reaching list, agreed with the former Minister of Public Works and Infrastructure, required action in key areas such as revisions to the RoC and procurement.
- With the consistently high level of underspending on infrastructure budgets hampering activity in the sector, client capacitation continued to be prioritised during 2022/2023. The entity exceeded the planned number of client departments to be assisted by more than 30, bringing the total to 110.
- Seventy-one clients were capacitated on contractor development programmes, double the targeted 36, while 377 grades one to six contractors were provided with development support.
- Stakeholder management saw the entity travelling throughout the nine provinces to ensure awareness of its services to construction contractors. The provincial stakeholder liaison meeting initiative gained momentum and the CIDB to reach scores of public sector clients and grades 5 to 9 contractors. In this way, the sector was made aware of criteria for the RoC and the processes to be registered.
- The entity engaged with clients to promote the Infrastructure Delivery Management System (IDMS) and discussed to identify and resolve bottlenecks in the flow of funds to projects. The B.U.I.L.D Programme received a prominent platform during these encounters, as the entity encouraged clients to comply in the interests of elevating the industry through skills, knowledge, and empowerment.
- Our NSF for 2021 to 2023 remained focused on the issues most important to the industry, convening six meetings of its task teams, which were formed to delve more deeply into priority projects.
- The entity's Empowerment and Recognition of Women in Construction (ERWIC) awards staged its third celebration of excellence in August 2022. It showed an ever-increasing interest from the sector and broader industry for its transformation potential.

**Annual Financial Statement**

| Notes | | 2023 | 2022 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Assessment fees | | 50 125 434 | 50 537 921 |
| Other income | | 1 441 | 371 606 |
| Finance income | 13 | 10 208 646 | 6 986 443 |
| **Total revenue from exchange transactions** | | **60 335 521** | **57 895 970** |
| **Revenue from non-exchange transactions** | | | |
| Government grants | 14 | 80 012 000 | 78 166 000 |
| B.U.I.L.D fees | 15 | 139 021 120 | 61 730 098 |
| Donation received | 16 | - | 250 000 |
| Contractor fines | | 120 000 | - |
| Annual fees | | 89 712 568 | 46 789 628 |
| Service in kind | | 1 480 706 | 1 018 739 |
| Total revenue from non-exchange transactions | | 310 346 394 | 187 954 465 |
| **Total revenue** | **12** | **370 681 915** | **245 850 435** |
| **Expenditure** | | | |
| Employee benefit cost | 17 | (124 744 318) | (112 577 587) |
| Members' emoluments | 18 | (4 738 690) | (3 145 516) |
| Depreciation and amortization | 19 | (4 300 536) | (3 528 195) |
| Finance costs | 20 | (6 608) | (7 336) |
| Debt impairment reversal | 21 | 239 332 | 180 780 |
| Bad debts written off | | (186 805) | (141 014) |
| Operating expenses | 22 | (91 198 492) | (74 948 780) |
| Total expenditure | | (224 936 117) | (194 167 648) |
| Operating surplus | 24 | 145 745 798 | 51 682 787 |
| Gain/(loss) on disposal of property, plant, and equipment | | (841 903) | 482 643 |
| **Surplus for the year** | | **144 903 895** | **52 165 430** |

The entity reported revenue of R60.3 million from exchange transactions, as follows:

- R50.1 million – assessment fees.
- R1 441 – other income.
- R10.2 million – finance income.

Revenue of R310.3 million from non-exchange transactions included:

- R80.0 million – government grant.
- R139.0 million - B.U.I.L.D. fees

- R0 – donation received.
- R120 000 – contractor fines
- R89.7 million – annual Fees.
- R1.48 million – service in kind.

In 2022/23, total revenue equals R370.7 million when compared to the R245.9 million of 2021/22. This accounts for an increase of R12.5 million in revenue.

As referred to earlier, income from the CIDB registers rose from R97 million to almost R140 million, with grant funding received up marginally, from R78 million to R80 million, and finance income rising by around R3 million.

As stated under achievements above, the B.U.I.L.D revenue more than doubled, from R62 million in 2021/22 to R139 million in 2022/23. The CIDB notes that this growth in revenue demonstrates the growing recognition among stakeholders of the pressing need for transformation and professionalism through skills and enterprise development.

**AGSA Audit Opinion**

The CIDB improved from the qualified audit opinion of 2021/2022 as the AG expressed an unqualified audit opinion with matters for this financial year.

The AG found no incidences of unauthorised, fruitless irregular and wasteful expenditure and losses in the annual financial statements of the entity.

During a review of irregular expenditure transactions, it found an amount of R672 425 that the CIDB confirmed as irregular expenditure incurred in previous years ( 2020/21). The CIDB disputed the finding and escalated the matter to the National Treasury and the appeal was finalised only in December 2022. This resulted in the final finding of no incidences of unauthorised, fruitless irregular and wasteful expenditure and losses in the annual financial statements of the entity.

The AGSA also noted the 2021/2022 financial year's fruitless and wasteful expenditure of R13 162.

Regarding internal controls, the AGSA stated that management did not develop an action plan to adequately address prior-year findings relating to revenue and receivables from non-exchange transactions. That caused the qualification reported in 2021/2022. The AG raised similar matters related to financial statements submitted for auditing not being fully prepared in accordance with the prescribed financial reporting framework required by section 55(1)(b) of the PFMA.

It was commendable that the CIDB passed the audit test of the AG comparing performance indicators and targets reported on in the Annual Report finding them the same as what was committed to in the approved initial or revised planning documents; the reported performance information in the Annual Report followed the prescribed manner; and there was adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

### 4.3.4. The Council for the Built Environment (CBE)

The Council for the Built Environment (CBE) is a Schedule 3A Public Entity as per the Public Finance Management Act (No. 1 of 1999) (PFMA). The CBE is a statutory body in existence since the enactment of the Council for the Built Environment Act (No. 43 of 2000) (The CBE Act) in 2000. It is an entity of the Department of Public Works and Infrastructure (DPWI).

The CBE is responsible for regulating the following Council of Built Environment Professions (CBEP) in South Africa - Architecture, Landscape Architecture, Engineering, Property Valuation, Project and Construction Management Professions, and Quantity Surveying.

**Legal Mandate**

The objectives of the CBE as per section 3 of the CBE Act are to:

a) promote and protect the interest of the public in the built environment;

b) promote and maintain a sustainable built environment and natural environment;
c) promote ongoing human resources development in the built environment;
d) facilitate participation by the built environment professions in integrated development in the context of national goals;
e) promote appropriate standards of health, safety, and environmental protection within the built environment.
f) promote sound governance of the built environment professions;
g) promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic;
h) serve as a forum where the built environment professions can discuss relevant issues such as:
    - required qualifications;
    - standards of education;
    - training and competence;
    - promotion of professional status; and
    - legislation impacting on the built environment; and
    - ensure uniform application of norms and guidelines set by the councils for the professions throughout the built environment.

**Governance Issues**
The entity's fifth term council concluded its term of office on 31 October 2022. Following Cabinet's approval, the Minister appointed and inaugurated the sixth term council in January 2023. During the interim, the CEO performed the role of the accounting authority of the entity.
Two executives, namely the Chief Operations Officer (COO) and Chief Financial Officer (CFO) resigned at the end of July 2022. The new appointments for these positions were effective on 01 February 2023 and 1 April 2023 respectively.

The fifth term council abolished the Company Secretary function and resolved to outsource the function as and when required.
**Performance for 2022/2023**
Measured against its key performance indicators (KPIs), the entity reported an achievement of 83% (15 out of 18 targets achieved).

On outcome 1: optimum functioning council, the CBE continued to work on good governance, sound financial management and maintaining a sound internal control environment.

On Advancing Transformation as a target, the entity reported that it developed Transformation Collaborative Committees (TCCs) to guide its contribution to transformation of the built environment sector. Three publications were developed during this financial year. Two advisory briefs were issued on matters emanating from TCCs and submitted to stakeholders. These focused on:
i. Assessment of candidacy programmes implemented within the public sector;
ii. Preferential frameworks to drive transformation in the built environment;

On skills development and capacitation of the State, thirty-seven district municipalities and three metro municipalities were engaged on the implementation of the CBE Structured Candidacy Framework. This was in preparation for the implementation of the candidacy programme and placement of candidates in 2023/24 financial year. Approved programmes were established for professionals and candidates appointed by the State for implementation by the National School of Government (NSG).

As part of contributing to evidence-based decision making, the entity reported that it developed the final research report on the assessment of built environment candidacy programmes within the public sector.

On issues of governance and public protection in the built environment, the CBE finalised all lodged appeals within the statutory 60 days from the date of lodgment. The CBE conducted corporate governance assessments of the six councils in compliance with the provisions of the adopted Governance Framework. It partnered with NSG to train council members of the nine professional councils on governance and compliance.

**Incomplete Performance Targets**

Due to the non-availability of stakeholders and the expiry of the fifth term CBE Council's term of office the annual target for Programme 2.4 was not achieved. One stakeholder engagement was hosted in the second quarter, translating to 25% achievement of the annual target. To ensure continuity, it was resolved that the next stakeholder engagement should include the new Sixth Term Council.

The annual target for Programme 3.1 was not achieved. Thirty-six out of the forty-four district municipalities were supported through monitoring the implementation of the Structured Candidacy Programme, translating to 82% achievement of the annual target. The non-achievement of the annual target is due to the non-response of the district municipalities, even after various platforms were employed to secure an audience with them. Moreover, district municipalities are not directly involved in infrastructure projects, hence candidacy programmes are not their priority.

The annual target for Programme 3.2 was not achieved. A total of 6 (out of 400) work integrated learning (WIL) students were placed at workplaces for practical work experience during the financial year, translating to 1.5% achievement of the annual target. One challenge on the programme was the sharing of information by universities, who cited Protection of Personal Information Act (POPIA) adherence. This impacted negatively on the implementation of this APP target. The recommendation is for the CBE to enter into Memoranda of Understanding (MoUs) with universities to address POPIA challenges. The CBE will also enter into an MoU with the Southern African Society for Cooperative Education (SASCE) in supporting individuals and institutions in integrating academic studies with quality work integrated learning.

**Financial Information**

**Revenue**

The entity received a grant allocation of R54.495 million for programme expenditure from the National Treasury. This was transferred through Programme 4 of the main vote of the DPWI. This was an increase of R967 000, from the R53.53 million received in 2021/22. The CBE's baseline budget allocation covers operational costs and core business projects which entails the cost of employment, occupational costs (office rental), audit fees, travel and accommodation and consulting fees as the main cost drivers. It further received income from the CBEPs levies to the amount of R2.10 million. This was an increase of R391 000 from the R1.71 million collected in levies in 2021/22. It reported that the levies received were lower than budgeted due to the Engineering Council of South Africa (ECSA) collecting less in membership fees.

| **Programme** | **2021/22** | | | **2022/23** | | |
|---|---|---|---|---|---|---|
| | **Budget** | **Actual Spent** | **Over/ Under** | **Budget** | **Actual Spent** | **Over/ Under** |
| 1 - Administration | 52 271 | 50 280 | 1 991 | 55 061 | 54 964 | 97 |
| 2 - Empowerment & Econ Dev | 571 | 805 | (234) | 935 | 872 | 63 |
| 3 - Professional Skills and Capacity Development | 2 084 | 2 064 | 20 | 453 | 321 | 132 |
| 4 - Research and Knowledge Management | 648 | 21 | 627 | 522 | 286 | 236 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| N | 5 - Public Protection, Policy, Legislation | 816 | 616 | 200 | 829 | 1 008 | (179) |
| a t | **Total** | **56 390** | **53 786** | **2 604** | **57 800** | **57 451** | **349** |
| i o n | Assets (additions) | - | 1 662 | (1 662) | | 6 079 | (6 079) |
| a l | **Total including assets (additions)** | **56 390** | **55 448** | **942** | **57 800** | **63 530** | **(5 730)** |

Treasury (NT) approved the CBE's request to retain and utilize the Surplus Funds of R5.86 million for multi-year contractual commitments and the outcome of the contingent liability during the 2022/23 financial year. A request for the current year's Surplus to the amount of R3.38 million will be submitted to NT.

**Reasons for Over/Under Expenditure per Programme**

*Programme 1 - Administration*

A budget the entity underspent the allocated for the CBE's 20-year strategic review as it could not find a suitable service provider for the project. Prior year committed funds utilized for the revenue enhancement strategy, organisational redesign, and computer expenses (i.e., Microsoft 365, Kaspersky and the Integrated Electronic Built Environment System) resulted in actual expenditure exceeding budgeted expenditure. The difference was offset against the underspending indicated above.

*Empowerment and Economic Development*

The surplus was reported as due to a multi-year contract that was set to come to after this financial year.

*Professional Skills and Capacity Development*

Most engagements were conducted virtually resulting in savings on travel.

*Research and Knowledge Management*

A suitable service provider could not be identified for a research project planned.

*Public Protection, Policy and Legislation*

The shortfall was explained as due to the unpredictable nature of appeals committee procedures. This resulted in the entity being unable to predict appeal committee fees accurately determined at the beginning of the year. Prior year committed funds, utilised for the legal library added to actual expenditure exceeding budgeted expenditure. The difference was offset against the underspending indicated above.

*Asset Additions*

The overspending was mainly attributed to leasehold improvements to the CBE's leased premises, which was paid for by the landlord as well as prior year committed funds, utilised for the cloud migration.

**AGSA Audit Opinion**

The AGSA expressed a clean audit opinion on the CBE financial statements for 2022/2023 that remains unchanged from the previous year. It also incurred no irregular expenditure.

The entity's procurement spend for this financial year was 84% on historically disadvantaged individuals (HDIs) and youth.

**Previous Years Unauthorised, Fruitless, Irregular and Wasteful Expenditure and Losses**

Irregular expenditure of R438 718 incurred during the 2014/15 financial year was raised as an example of non-compliance with the competitive bidding threshold in Supply Chain Management (SCM) procedures. The council and management laid criminal charges against the former SCM official responsible for this amount. Disciplinary steps were also being finalised against four employees related to five cases related to maladministration. In two of these, two employees were found not guilty of negligent practices. The remaining officials received counseling.

A total of R3.5 million (R3 459 000) in irregular expenditure was confirmed after year end, of which R29 000 is under determination and R439 000 is under investigation. The CBE reported that consequence management was being considered for corrective action.

The AGSA reported the following on possible instances of irregular instances of irregular expenditure:

- Four alleged incidents of irregular expenditure were investigated. The final report was issued on 14 December 2020, and remedial controls that were recommended in the report were implemented by 19 January 2023.
- A further case of irregular expenditure was identified during the 2022/23 financial year and is currently under investigation to determine whether any non-compliance has occurred. A draft report was being compiled at the time of meeting with this portfolio committee.

**5. NOTE OF APPRECIATION**

This is the final year of the sixth term of this committee's function of scrutinising and overseeing the executive authority in charge of the portfolio of public works and infrastructure. The Committee had the pleasure of working with two Ministers, Deputy Ministers, and their support staff. We express our appreciation to Minister De Lille, Deputy Minister Kiviet, and Minister Zikalala and Deputy Minister Swarts for their committed participation, patience, and responses to the recommendations of the scrutiny and oversight work of this committee.

We also thank the Acting Directors-General as Accounting Authority, and senior management of the Department of Public Works and Infrastructure, the teams of the Office of 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 Parliament serving in this committee. We further thank the Parliamentary Monitoring Group (PMG) and especially members of the public for their consistent interest and contribution to monitoring government. Our collective efforts to scrutinise and oversee, were strengthened through robust collaboration aimed at improving government services to the people.

**6. RECOMMENDATIONS**

Note that as this is the final year of the sixth administration, these recommendations do not include set timeframes by when actions are to be implemented. Further note that these recommendations should be read with those in the legacy report, as they are intended as guiding material for the new executive authority, committee members, and support staff, that will support members to scrutinise and oversee their work and actions.

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 need 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. Progress report on vacancies across the DPWI Head Office and the eleven PMTE regional offices. It should further cover the strategy to draw and retain well qualified, experienced property specialists and construction management professionals to the department and regional offices. It should further provide information on whether the DPWI as lead coordinating department of infrastructure 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 from the accounting officers (DG and Head of the PMTE) on 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 Construction Project Management, 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 CIBD 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 operationalizing of the Knowledge Hub, appointment of its management and researchers, and the plan to 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 councils/associations; the relationship between CBE and other BEP councils/associations where BEP professionals register but are not functioning under its mandated authority.
11. A progress report from the PMTE Facilities and Construction Project Management team including the lead officials and project manager(s) on investigations into all the allegations related to construction project mismanagement that might lead to Fruitless and Wasteful expenditure. The report to list projects, their geographical positions, client departments, scope of works, bills of quantities, main and sub-contracting companies, 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 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. The report should include all relevant information and detail of re-appointed service providers from the initiation of the Enterprise Renewal Programme involving the incomplete roll-out of the procured ARCHIBUS and SAGE software.
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.**