

**MINISTRY**

**PUBLIC WORKS AND INFRASTRUCTURE**

**REPUBLIC OF SOUTH AFRICA**

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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION NUMBER: 644 [NW845E]**

**INTERNAL QUESTION PAPER NO.: 12**

**DATE OF PUBLICATION: 24 APRIL 2020**

**DATE OF REPLY: 20 MAY 2020**

**644. Mr R A Lees (DA) to ask the Minister of Public Works and Infrastructure:**

With reference to her reply to question 304 on 19 March 2020, what are the details of the amounts owed by client departments to the Department’s Property Management Trading Entity as at (a) 31 March 2018, (b) 31 March 2019 and (c) 28 February 2020 including but not exclusively the details of (i) each client in respect of their, (aa) names, (bb) contact details and (cc) accounting officers’ names, (ii) dates on which the payments were made on behalf of each client, (iii) the expenditure incurred and paid for on behalf of each client and (iv) why clients had not paid within 30 days of the payments having been made on behalf of clients?  **NW846E**

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**REPLY:**

**The Minister of Public Works and Infrastructure:**

The amounts owed by client departments to the Department of Public Works and Infrastructure (DPWI) Property Management Trading Entity as at:

(a) As at 31 March 2018, the gross outstanding balance was R3.478 billion that included an amount of R2.367 billion for impairment. The amount disclosed in the annual report was a net balance of R1.111 billion. (**Annexure A**)

(b) As at 31 March 2019, the gross outstanding balance was R4.172 billion that included an amount of R2.590 billion for impairment. The amount disclosed in the annual report was a net balance of R1.582 billion.

(c) As at 28 February 2020, the gross outstanding balance (before impairment) was R7.282 billion that included an amount of R2.590 billion that was impaired on the 31 March 2019. The impairment amount for the year ended 31 March 2020 has not been calculated yet and will be calculated and disclosed in the annual financial statements for the year ended 31 March 2020.

Impairment is an accounting requirement that requires the Entity to evaluate whether objective evidence exists as a result of one or more events (a loss event) that may impact on the recoverability of the amounts due and calculate an impairment loss based on future expected cash flows. It must be noted that amounts impaired do not mean that they have been written off by the Entity. There is continuous engagement with client departments to ensure that they pay the gross outstanding debt.

The details of the amount owed for 31 March 2018, 31 March 2019 and 28 February 2020 are listed in Annexure A attached.

(i) The details of each client with respect of their, (aa) names, (bb) contact details and (cc) accounting officers’ names, are attached as (**Annexure B)**.

(ii) and (iii) the **Table A** below reflect the period in which the payments were made on behalf of each client and the expenditure incurred and paid for on behalf of each client.

**Table** A:

|  |  |
| --- | --- |
| Ageing bracket | Amount |
| Current (0-30 days outstanding) | R 1 199 303 174.83 |
| 30 days | R 1 187 276 619.08 |
| 60 days | R 514 491 484.74 |
| 90 days | R 362 236 122.09 |
| <1 year | R 1 507 012 265.46 |
| 1-3 years | R 1 622 432 217.30 |
| 3- 5 years | R 328 926 973.56 |
| > 5 years | R 560 054 849.53 |
| TOTAL | R 7 281 733 706.59 |

The current approved business model of the Entity is that expenditure is incurred on behalf of client department after which the amount is claimed. The expenditure that is incurred on behalf of client departments is for private leases, municipal services, client infrastructure spending (Capital allocation) and other recoverable infrastructure projects (referred to as PACE and CA). At the end of the month, all payment made are then consolidated as a claim/invoice and sent to each client department to reimburse the Entity within 30 days as prescribed by Treasury Regulations 8.2.3. The current model has been revised and communicated to all user departments, where each user department must sign Billing Agreement to pay quarterly in advance for certain services.

(iv) As at 28 February 2020, an amount of R7,282 billion was outstanding from national departments and other organs of the state (**Annexure C**). Some of the reasons cited by client departments not to pay the Department is due to:

• user departments dispute occupation,

• lack or insufficient budget;

• budget cuts by National Treasury;

In line with established inter-governmental framework principles, below are some of the intervention that the Department has put in place to recover the outstanding from client departments:

* Request to National Treasury to intervene on clients that do not pay within 30 days;
* The Minister wrote letters to her counterparts requesting them to ensure that their departments pay the outstanding balances;
* An intergovernmental framework on billing and recovery has been implemented to address the outstanding debt; dispute resolution and advance billing for services rendered;
* The Department has resolved to devolve municipal services to the client departments; and
* National Treasury was requested to issue an instruction note for all user departments to pay quarterly in advance, ring-fence the budget for accommodation and consider allocating infrastructure and accommodation budget to the DPWI. National Treasury is still processing the request of the Department.

**Annexure B**

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