

**MINISTRY**

**PUBLIC WORKS & INFRASTRUCTURE**

**REPUBLIC OF SOUTH AFRICA**

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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION NUMBER: 858 [NW1978E]**

**INTERNAL QUESTION PAPER NO.: 14**

**DATE OF PUBLICATION: 06 SEPTEMBER 2019**

**DATE OF REPLY: 14 OCTOBER 2019**

**858. Mrs S P Kopane (DA) asked the Minister of Public Works and Infrastructure:**

Whether (a) her department, (b) any entity reporting to her and/or (c) any provincial department of public works owes any unpaid rates and services to any municipality; if so, in each case, (i) what amount is owed, (ii) to which municipality is each amount owed and (iii) by what date will the outstanding amount be settled? **NW1978E**

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**REPLY:**

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

1. Yes, Municipalities are owed money by the Department of Public Works and Infrastructure (DPWI) for two reasons:

* Municipal accounts must be verified and validated prior to processing payments in order to avoid irregular and fruitless and wasteful expenditure.
* DPWI pays these accounts on behalf of other user departments.
* Many government departments not refunding DPWI and this creates cash flow problems for DPWI.
* Many municipalities submit inflated accounts.

In August 2019 the Department of Public Works and Infrastructure (DPWI) started with a project to settle all the Government debt owed by DPWI to municipalities.

The Department’s Chief Financial Officer is spearheading the project and his office developed a project plan to:

* Reconcile outstanding government debt for municipal service billed;
* Agree with municipalities for settlement or recovery of the outstanding amount and obtain sign-off;
* Verification of accounts;
* Provide clear recommendations to avoid repetition of issues.

Each of DPWI’s ten regional offices provides a weekly update to the CFO and the Minister on progress.

As of 30 June 2019, Municipalities reported in terms Section 71 (S. 71) of the Municipal Finance Management Act (MFMA) that the overall government debt was R3.1 Billion. There are 135 municipalities of the 256 municipalities that reported to be owed by DPWI. The Department is in the process of verifying the debt owed for all 256 municipalities.

The said amounts above, have, however, proven to be unreliable and incorrect as is displayed in Section.71 MFMA information. Below are just the three (3) examples:

• Bushbuckridge Local Municipality disclosed an outstanding debt of R925.5 million as per S.71, however, our regional office after verification has agreed that the outstanding debt is R6.9 million as per our joint reconciliation work performed;

• Emfuleni Local Municipality disclosed an outstanding debt of R185.9 million as per S.71, however, they were unable to provide any supporting documentation to support this rand value on enquiry from the regional office;

• Makhuduthamaga Local Municipality disclosed an outstanding debt of R362.2 million as per S.71, however, our regional office after verification agreed that the outstanding debt is R1.3 million as per our joint reconciliation work performed.

It is therefore essential that amounts disclosed by municipalities require verification and validation prior to processing payments in order to avoid irregular and fruitless and wasteful expenditure.

As at 4 October 2019, DPWI has obtained sign-offs from 21 Municipalities and will send letters to municipalities to raise awareness and ensure cooperation and commitment in relation to all records and reconciliation for verification of Government debt.

The DPWI is resolute in its commitment to settle all verified debts within 30 days of receipt of the statements invoices and sign-offs.

The DPWI has already engaged with 62 municipalities and is in the process to verify and settle outstanding debt. After that the DPWI will engage with the remaining 192 municipalities. Details of the engagement with the 62 municipalities are as follows:

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| --- | --- | --- | --- | --- |
| **Regional Office** | **Number of engagements per Regional Office** | **Total as Per Section 71: 30 June 2019** | **Outstanding Amount As Per Municipal Statement of Account** | **Confirmed Amounts: Rand Value Amount Agreed by both Stakeholders** |
| Bloemfontein | 10 | 58,397,000 | 103,377,101 | Busy with verification |
| Cape Town | 10 | 31,408,000 | 19,006,003 | 15,347,561 |
| Johannesburg | 5 | 191,629,000 | 10,321,647 | Busy with verification |
| Kimberley | 6 | 13,642,000 | 3,254,110 | Busy with verification |
| Mmabatho | 3 | 14,987,000 | 27,478,397 | 15,486,167 |
| Mthatha | 7 | 6,093,000 | 6,539,086 | 2,423,686 |
| Nelspruit | 13 | 1,182,177,000 | 311,474,151 | Busy with verification |
| Polokwane | 4 | 460,069,000 | 14,544,124 | Busy with verification |
| Port Elizabeth | 3 | 24,580,000 | 21,781,653 | Busy with verification |
| Pretoria | 1 | 15,694,000 | 14,336,000 | Busy with verification |
| **Grand Total** | **62** | **1,998,676,000** | **532,112,273** | **33,257,414** |

As illustrated the S 71 submissions from many municipalities are often different from their own billing system.

1. Public Entities of the Department of Public Works & Infrastructure

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Whether (a) her department,** | **(b) any entity reporting to her and/or** | **(c) any provincial department of public works owes any unpaid rates and services to any municipality,** **if so, in each case** | **(i) what amount is owed,** | **(ii) to which municipality**  **is each amount owed and** | **(iii) by what date will the outstanding amount be settled?** |
| N/A | Agrèment SA (ASA) | N/A | R Nil | City of Tshwane | N/A |
| Council for the Built Environment (CBE) | N/A | R Nil | City of Tshwane | Paid on the first of each month |
| Construction Industry Development Board (CIDB) | N/A | R Nil | N/A | N/A |
| Yes, the Independent Development Trust (IDT) does owe unpaid rates and services to a municipality | N/A | R5 499 091.00 | City of Tshwane Municipality | The outstanding amount is currently in dispute and will be paid once the dispute is resolved.  The IDT however, pays in full the current monthly invoices, as they become due. |

1. Provincial departments responsible for Public Works are directly responsible for settling their municipal accounts. This information was provided to the Department by each of the provinces.

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| **Whether (a) her department, owes any unpaid rates and services to any municipality,** **if so, in each case** | **(c) any provincial department of public works owes any unpaid rates and services to any municipality,** **if so, in each case** | **(i) what amount is owed,** |
|  | Eastern Cape | R395 064 271.00 |
|  | Free State | R629,701,094.00 |
|  | Gauteng | R313,634,764.76 |
|  | Kwa-Zulu Natal | R48 958 633.65 |
|  | Limpopo | R422,063,976.35 |
|  | Mpumalanga | R 100,710,881.99 |
|  | Northern Cape | R575 081 688.1 |
|  | North West | R151 175 599 11 |
|  | Western Cape | 21,948,331.41 |