



# ANNUAL REPORT

## 2017/18



**public works**

Department:  
Public Works  
**REPUBLIC OF SOUTH AFRICA**

# 2017/18 ANNUAL REPORT

Mr TW Nxesi (MP)  
**Public Works Minister**

I have the honour of submitting the Annual Report of the Department of Public Works for the period 1 April 2017 to 31 March 2018

Adv. Sam Vukela  
**Director-General**  
28th September 2018

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# I. LIST OF ABBREVIATIONS

FULL DESCRIPTION	ACRONYM
Accounting Standards Board	ASB
Adult Basic Education and Training	ABET
Annual Financial Statement	AFS
Agrément South Africa	ASA
Annual Performance Plan	APP
Assets under construction	AUC
Business Intelligence	BI
Built Environment Professionals	BEP
Border Control Operating Coordinating Committee	BCOCC
Asset Register Management	ARM
Basic Accounting System	BAS
Black Economic Empowerment	BEE
Broad-Based Black Economic Empowerment	BBBEE
Built Environment Professions	BEPs
Business Continuity Plan	BCP
Client Relationship Management	CRM
Community Based Organisations	CBOs
Construction Contact Centres	CCC's
Community Works Programme	CWP
Construction Industry Development Board	cidb
Continued Professional Development	CPD
Contractor Incubator Programme	CIP
Council for Built Environment	CBE
Custodian Asset Management Plan	CAMP
Department of Cooperative Governance and Traditional Affairs	COGTA
Capital Works Implementation Programme	CWIP
Department of International Relations and Cooperation	DIRCO
Department of Public Works	DPW
Department of Water Affairs	DWA
Department of Public Works Intergovernmental Forum	DPWNIF
Department of Rural Development and Land Reform	DRDLP
Division of Revenue Act	DORA
Document Management System	DMS
Engineering Council of South Africa	ECSA
Early Childhood Development	ECD
Economic and Employment Cluster	EEC
Employee Development and Management System	EDMS
Estimates of National Expenditure	ENE
Employment Skills Development Agency	ESDA
Expanded Public Works Programme	EPWP
Executive Management Committee Meeting	EXCO
Full Time Equivalent	FTE
Facilities Management	FM
Financial Year	FY
Generally Accepted Accounting Principles	GAAP
Generally Recognised Accounting Practice	GRAP
Geographical Information System	GIS
Government Immovable Asset Management Act	GIAMA
Head of Department	HOD
Home Community Based Care	HCBC
Human Resource Development	HRD
Immovable Asset Register	IAR
Independent Development Trust	IDT
Integrated Risk Management Framework	IRMF
Industrial Policy Action Plan	IPAP
Information Communication & Technology	ICT
Integrated Financial Management System	IFMS

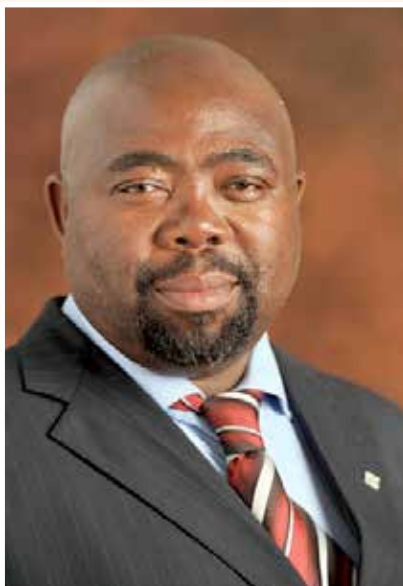
FULL DESCRIPTION	ACRONYM
Information Technology	IT
Infrastructure Delivery Improvement Programme	IDIP
Information Technology Acquisition	ITAC
Information Technology Procurement	ITP
Institute of Internal Auditors	IIA
Integrated Growth Plan	IGP
Key Account Management	KAM
Land Redistribution Agricultural Development	LRAD
Logistical Information System	LOGIS
Memorandum of Understanding	MOU's
Medium Term Budget Policy Statement	MTBPS
Medium Term Expenditure Framework	MTEF
Medium Term Strategic Framework	MTSF
Middle Management Services	MMS
Millennium Development Goals	MDGs
Municipal Infrastructure Grant	MIG
Management Information System	MIS
Non-Governmental Organisations	NGOs
Non-Profit Organizations	NPOs
National Contractor Development Programme	NCDP
National Economic Development And Labour Council	NEDLAC
National Infrastructure Maintenance Strategy	NIMS
National Youth Service	NYS
Occupational Specific Dispensation	OSD
Occupational Health and Safety Act	OHSA
Pan African Parliament	PAP
Performance Based Building	PBB
Public Finance Management Act	PFMA
Performance Management and Development System	PMDS
Planned Maintenance Implementation Programme	PMIP
Portfolio Performance and Monitoring	PPM
Property Charter Council	PCC
Property Incubator Programme	PIP
Property Management Information System	PMIS
Property Management Trading Entity	PMTE
Property Performance Standards	PPS
Public Finance Management Act	PFMA
Parliamentary Villages	PV
Regulatory Impact Assessment	RIA
Recognition of Prior Learning	RPL
South African Local Government Association	SALGA
Supply Chain Management	SCM
Implement Service Delivery Improvement Programme	SDIP
Senior Management Services	SMS
Service Delivery Standards	SDS
Service Level Agreement	SLA
Software Asset Management	SAM
Strategic Plan	SP
Strategic Performance Management	SPM
State of the Nation Address	SONA
State Owned Entities	SOE's
Spatial Development Framework	SDF
User Asset Management Plan	UAMP
Union Building	UB
International Union of Architects	UIA
User Requirement Specification	URS
Virtual Private Network	VPN
Voice over internet protocol	VOIP
Web Based Reporting Systems	WBS
Workplace Skills Plan	WSP
Works Control System	WCS





## **CHAPTER 1**

### **GENERAL INFORMATION**



*Mr TW Nxesi*

## 1.1 Foreword by the Minister

When we announced the Turnaround Strategy for Public Works in 2012 it was based on two pillars: zero tolerance of fraud and corruption and improving the way we do business. Upon my reappointment to Public Works in February this year, I reasserted these priorities and this strategic approach. This has given fresh impetus by the election of new leadership in the ruling party committed to the fight against corruption and state capture. Improving the way we did business also took on a very specific meaning when the President mandated me to pick up the pace to fully operationalize the Property Management Trading Entity (PMTE), a decision of Cabinet intended to leverage the state's massive property portfolio for economic development, empowerment and jobs.

We have made a good start on the leasing-in front with a meeting with major landlords at the end of March to announce the renegotiation of standardised, longer term leases – depending on BBBEE credentials – and a value proposition to government which provides for improved facilities management and leases at market rates.

Excess state land has been identified for social purposes: land reform, housing and student accommodation, as well as identifying unutilised buildings for letting out, new investment and development to create jobs, skills and empowerment opportunities.

The Turnaround was conceived of in three overlapping stages: stabilisation, efficiency enhancement and sustainable development. Much of the work of the early stabilisation projects, such as the Clean Audit and Immoveable Asset Register projects have stood the test of time – reflected in strengthened financial and procurement process controls and improved audit

outcomes, as well as a fairly complete record of state property falling under the custodianship of Public Works. These form a solid basis for the efficiency enhancements we talked of in the core property business of the PMTE.

Another notable achievement of the Turnaround has been to improve the compliance of the Department and PMTE reflected in improved MPAT scores (government's Management Performance Assessment Tool). In my Foreword to the 2015/16 Annual Report I stated:

"The Governance Risk and Compliance (GRC) Branch was established to intensify the fight against fraud and corruption, develop new planning processes that are integrated with risk management and enhance the quality and functioning of the governance structures of the Department. These stabilisation objectives have been largely achieved and serve as a foundation upon which to launch the branch into the efficiency enhancement phase of the Turnaround."

Detailed annual planning processes are now embedded into the schedules of the Department and the PMTE.

Working closely with the SIU (Special Investigations Unit), the GRC was able to announce significant successes this year in the fight against corruption and collusion between officials and corrupt landlords, as well as recovering monies wrongly paid to landlords. By Presidential proclamation, the mandate of the SIU has now been extended to investigate the emergency 'day-to-day' maintenance of the Department where the GRC internal Investigative Unit has already flagged 16,000 suspicious transactions.

It is in the core business of the PMTE – Real Estate Investment, Real Estate Management (leases), Facilities Management and Prestige (government accommodation) – that Public Works has fallen short. The glacial pace of operationalisation of the PMTE has been accompanied by the slow implementation of appropriate business systems, the failure to roll-out a modern ICT solution across the PMTE value chains, the loss of key technical and professional skills and the bureaucratic delays around new appointments.

The result of this is that service delivery has suffered. Serious questions have arisen - in the media and Parliament – about Public Works' performance, the limitations of useable and reliable data, systems and coordination in the Department and PMTE. We can no longer simply wait for matters to take their course. In the absence of proper coordination, oversight, monitoring and reporting systems, by the time it gets to the point of reporting to our principals, it is already too late. The Department and PMTE are left on the back foot, relegated to perpetual crisis management.

And yet our primary mandate from Cabinet and the President is the full operationalisation of the PMTE in order to optimally leverage the state's property portfolio, for all the reasons we have said: to contain costs, to provide accommodation to client departments which gives dignified access to the public, and to create revenue and promote investment, economic activity and jobs.

The present chaos cannot be allowed to continue. Looking forward, we have now embarked upon a major intervention for the remaining period of this Administration: establishing a High Performance Centre in the PMO (Project Management Office) under the Head of the PMTE - a team of experienced built environment professionals – sourced from other state entities and with the assistance of the CBE (Council for the Built Environment) and professional councils - to provide coordination, oversight, and ensure proper reporting at all levels of the PMTE and the accountability that comes with that. This will also provide us with an early warning system to

identify where problems are going to arise, and the flexibility and agility to respond to crises.

Further benefits include: better utilisation of the resources we do have, particularly some 70 candidates on the Young Professionals programme, some of whom will be attached to the professionals in the High Performance Centre. Moreover, the newly advertised professional appointments – part of the process of operationalizing the PMTE - when they arrive, instead of stepping into a vacuum, they will immediately find in place a functioning and coordinated system of programme and project management which will facilitate, enhance and boost their contribution to the business.

I have chosen to focus on the systemic challenges faced by the Department and the PMTE in the belief that identifying problems is the starting point for addressing them, and to give assurance to our many clients that Public Works is striving to overcome current limitations and to improve service delivery and enhance the client experience.

The existence of corruption and poor management in the organisation should never be allowed to obscure the pockets of excellence which continue to exist in Public Works. Some I have already mentioned in relation to finance and the Asset Register. Others include: precinct planning for small towns, the work of the EPWP (Expanded Public Works Programme), and the programmes of school and tertiary bursaries, internships, artisan training and the Young Professionals all designed to 'grow our own timber' to begin to rebuild the technical capacity of Public Works. Nor should the challenges at a management level ever detract from the commitment and hard work of the majority of public servants who continue to perform in difficult circumstances.



**Mr TW Nxesi, MP**

Minister of Public Works





*Mr J Cronin*

## 1.2 Statement by the Deputy Minister

Notwithstanding challenges in the second half of the 2017/18 financial year, there was general progress in the ongoing stabilisation phase of the Department of Public Works' major, multi-year turnaround programme. The turnaround programme has been underway since 2012 and it has brought steady progress, including in audit outcomes.

At the heart of the turnaround process has been the separation, ring-fencing and consolidation of a Property Management Trading Entity (PMTE) and the shifting of the majority of DPW staff, including those in our eleven regions, into the PMTE. Fully operationalising the PMTE lies at the core of the department's mandate as the major public sector property custodian. The previous work done to verify and complete the Immovable Asset Register has been the foundation upon which the business of PMTE now rests.

With a property portfolio of over 92 000 buildings on some 29 000 land parcels and with a net deemed value of well over R100-billion, the PMTE is the largest property custodian, not just in South Africa, but almost certainly in the continent. Naturally, this vast portfolio also presents many challenges. The PMTE acts as a property custodian on behalf of a wide range of public sector bodies, among them Correctional Services, the South African Police, and Home Affairs, all with extensive office and other accommodation requirements not just in the major cities but also in small towns throughout the country.

Among the challenges experienced in managing this extensive portfolio is the funding of sustained planned maintenance. While the responsibility for planned maintenance and new project construction is with DPW/PMTE, currently the budget allocated for these functions is with the respective user

departments and other public bodies. There has sometimes been a disruption and at times a breakdown in the allocation of funds from these user departments to DPW/PMTE for planned maintenance and construction work. Additionally, funding allocations for the two outer years of the three-year Medium Term Expenditure Framework are merely indicative, for what are, often, multi-year programmes. These challenges result in stop-start, sub-optimal performance in many cases. Obviously, DPW/PMTE is working closely with client departments and with Treasury to improve matters on this front.

An additional, and related challenge, is that the budget allocation from Treasury to client departments for rental payment to the PMTE is way below market averages. While this is understandable, given both the fiscal constraints across government, and given the fact that the role of PMTE is essentially a public service, it does raise challenges for the sustainability and effective professional staffing of PMTE. For this reason the PMTE is also actively looking at the strategic leasing out of property to ensure a more effective revenue stream, without at the same time neglecting our social and developmental responsibilities.

These challenges, which have become more apparent in the course of the 2017/18 year under review, are, in many respects, the positive outcomes of the very establishment of the PMTE in the first place, and the increasing professionalisation of our property management function. With a more professional approach we have been able better to identify what have all along been underlying problems. With a better, evidence-based appreciation of our challenges, we are convinced that we can begin to make further headway in resolving these and other challenges.

While much of the energy of DPW in the current reporting year has been devoted to consolidating the PMTE, there are other important functions in the DPW as such, including policy development and the regulation of the built environment professions through our entities, the Construction Industry Development Board (cidb) and the Council for the Built Environment (CBE) with its six professional councils. In the course of the current reporting year, Agrément SA, was established as a fully-fledged public entity reporting to DPW. It plays a key niche role, certifying new and innovative products, mainly in the general construction sector, as “fit for purpose”.

The most extensive role of the DPW remains the task of overall coordination of government’s public employment programmes through the Expanded Public Works Programme (EPWP). South Africa’s approach to public employment programmes has been globally pioneering. The EPWP programme is implemented by all spheres of government, and includes the infrastructure; environment and culture; and social sectors, as well as an important Non-State Sector, in which publicly-funded, community-based, non-profit formations are the actual implementing agents.

By the end of the current reporting year, March 2018, after 4 years of the 5-year Phase 3 of EPWP, 3.52 million work opportunities had been created and some R30,2 billion had been distributed in EPWP wages to poor households. Also over this 4-year period to March 2018 a wide array of services had been provided and assets created in poor communities. These included 473, 230 persons provided with home-care services; 255, 3540 children between the ages of 7 and 14

fed through school feeding programmes; and many of these feeding programmes were supplied through 38 625 EPWP community gardens. In the infrastructure sector, EPWP workers built 893 kilometres of access roads; and they beautified 5 590 community parks. In the environmental sector among the many activities undertaken was the cleaning and maintaining of 1 745 kilometres of coast.

In the course of 2017/18 DPW was not unaffected by the political climate and instability associated with what has come to be called “state capture”. DPW, along with our partners in the Special Investigating Unit (SIU), experienced frustrations with the National Prosecuting Authority and its failure to prosecute a number of significant cases uncovered by DPW with the assistance of SIU. Likewise, after a period of relatively sustained stability in the political and administrative leadership of DPW, in the course of the reporting year, there were disruptive re-deployments. With the election of President Ramaphosa as state president in February 2018, corrective measures have been restored and the momentum of turnaround and stabilisation, that was started in 2012, is now back on track.



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**Mr J Cronin, MP**

Deputy Minister of Public Works



*Adv Sam Vukela*

## 1.3 Report by the Accounting Officer

### 1.3.1 Overview

The 2017/18 financial year saw the economy growing by 1.3%, after a wobbly start at the beginning of 2017. This growth contradicted the National Treasury's expected growth of 1% announced in the 2017 budget speech. The quarter-on-quarter (seasonally adjusted and annualised) figures show economic activity contracting in the first quarter and later experiencing the highest growth rate of 2017, with the economy expanding by 3.1% in the fourth quarter of 2017. The sustained growth for the remainder of the year was partly driven by an agriculture industry bouncing back from one of the worst droughts in recent history. A bumper maize crop and recovery in other agricultural commodities saw agriculture production rise by 17.7% in 2017 compared with 2016. Other sectors that contributed positively to economic growth included the finance and mining industries.

Towards the end of the calendar year in 2017, the country experience concerns including weak domestic demand weighing heavily on business and consumer confidence, deterring investment and job creation. To alleviate these concerns, Government reiterated its efforts towards a sound economic policy, guided by the objectives of the National Development Plan, and a renewed focus on inclusive growth, transformation and competitiveness.

The Minister of Finance in 2017 announced that public procurement will amount to about R1.5 trillion over the next three years. An amount of R500 billion would be paid per year on average for the delivery of goods and services, the purpose being that of acquiring the infrastructure and operational inputs required for effective service delivery. Further, public

procurement is seen as an important strategic vehicle for developing local industries, broadening economic participation and creating work opportunities. With this in mind, the Department of Public Works (hereafter the Department) plays a critical role in infrastructure development, empowering emerging contractors in further developing local industries, broadening economic participation and creating work opportunities through provisioning of state accommodation programmes and Public employment programmes. Efforts have been made within the Department in the period under review to promoting black-owned and women-owned businesses, participation of youth and disabled persons and opportunities for rural enterprises and co-operatives.

The Department operated on a budget of R6.98 billion for the financial year of which the expenditure was R6.93 billion. This translates into 99.2% of the total budget. With this budget allocation, focus was largely on the Expanded Public Works Programme (EPWP), Property and Construction Industry Policy and Research and operationalisation of the Property Management Trading Entity (PMTE).

The Expanded Public Works Programme (EPWP) coordinates the implementation of its programme with the aim of creating work opportunities and provide income support to poor and unemployed through labour intensive methods. The bulk of the programme's budget was spent on the payment for performance based incentives to eligible Provinces, Municipalities and non-profit organisations to incentivise them to increase job creation efforts. This is in part responding to the socio-economic challenge of high unemployment, inequality and abject poverty.

The Property and Construction Industry Policy and Research on the other hand focused on providing strategic leadership for the regulation of the construction sector to contribute to growth and transformation and sound public sector immovable asset management. The bulk of the budget is through transfers and subsidies to the Departmental entities assisting in achieving and realising Public Works mandate.

The Property Management Trading Entity (PMTE) focused on real estate management and construction project management. In the period under review, focus has largely been the operationalisation of the PMTE, giving it an appropriate form, business processes and systems and strengthening governance structures for optimal functionality. The achievements of these programmes are detailed in the next section.

### 1.3.2 Significant events and major projects

The overview of the current state of the economy presented earlier provides the context in which the performance of the Department is to be understood in the period under review. The Department's programmes have remained relatively the same as the previous financial year for consistency and measurability of progress over time. The main vote (the Department) focused mainly on intergovernmental coordination, coordination of EPWP programmes, Property and Construction Industry Policy and Research and management of the prestige portfolio. The core business of property management was ring-fenced under the PMTE with emphasis on, inter alia, managing relations between the Department and client departments, planning and precinct development, construction project management, management of the immovable asset register and facilities management. The significant and major achievements of the Department are thematically discussed as follows:

- Policy, Regulation and Empowerment
- Governance, Management Practices and Compliance
- Anti-Fraud and Corruption
- Sector Coordination and Concurrent Mandate
- Coordination of Public Employment Programmes
- Real Estate Management
- Construction Project Management
- Facilities Management and Resource Efficiencies

The thematic approach allows for a holistic presentation of the performance of the Department for the period under review.

## Policy, Regulation and Empowerment

The Department has two existing white papers developed in 1997 and 1999. Due to changes in the social, political, and economic landscapes, nationally and internationally, these white papers had to be reviewed. The Department has therefore embarked on a process of reviewing the Public Works policy framework, encapsulated in the 1997 and 1999 Public Works White Papers. The development of both these Papers was premised on the then overarching "Reconstruction and Development" policy. The main purpose of the review of the Public Works White Papers is -

- to define the Department's role in a developmental State;
- to reinforce DPW's role in driving transformation in the construction and property sectors; and
- to review and update policy goals and approaches to address current events within the context of the local and global construction and property sectors.

The policy review exercise is regrettably behind schedule and has inadvertently affected the realisation of the 5 Year target. The main cause of the delay was due insufficient capacity in Policy research, Policy analysis and Policy project management. The capacity challenge manifested in the weak conceptualisation of the White Paper Review project leading to the uniformed prejudging of the outcome of the policy review process. The concept prejudged the outcome of the policy review to be a Public Works Bill in the absence of a critical policy review exercise. The Department is therefore focussing on correcting the situation by undertaking a comprehensive evidence-based review of policy and legislative frameworks that impart and/or are imparted by the Public Works function of government is critical. The review exercise would then provide evidence-based recommendations on the needed interventions to deal with challenges and issues identified.

A Project Strategy was then developed as a catch-up strategy focussing on the following major issues:

1. Identification of past, current and potential policy problems and issues, their manifestations and effects;
2. Systematic analysis of Public Works Policy background or history;
3. Examination of trends and their implications on the Public Works Sector, the mandate of the Department and stakeholders;
4. Assessment of policy interventions, lessons learnt in respective implementation and impact of the interventions;

5. Investigation of the assumed or probable causes of Policy dynamics, failures and success;
6. Identification of Policy Themes to be addressed through the comprehensive policy review exercise; and
7. Identification of Policy priorities for the future, desired Policy strategic direction and available scenarios (in order to achieve the State's socio-economic development objectives).

Given the above background and highlight of Project status, the Department is confident that a comprehensive Policy Review Report will be produced before the end of the 2018/19 financial year.

#### • **Property Management Empowerment Policy**

The Department has also developed the Property Management Empowerment Policy with the aim of achieving the following objectives:

- To provide an improved strategic direction, facilitation and coordination of the transformation initiatives by the Departments of Public Works.
- To focus and deliberate efforts to attract, identify, assess and confirm qualifying Black-Owned Enterprises to do business with the Department of Public Works.
- To facilitate the structural transformation of the Property Sector, in order to create an enabling, conducive and equitable environment for black people and black-owned enterprises to economically thrive and continually improve skills and capabilities.

The development of this policy came as a result of skewed patterns of ownership, participation and benefits and inequalities that still exist in the property sector. The ownership of commercially driven activities surrounding property, including development, management and sales, still rests largely with advantaged South Africans. Enterprises in the sector have not adequately addressed employment equity, with that the sector continues to be under-represented in terms of race and gender. There is limited investment and commitment in skills development and workplace training.

In terms of the CBE Policy Frameworks that seek to ensure consistency in the application of policy by Built Environment Professions Councils (BEPCs), the Department developed three (3) Policy Frameworks, namely Recognition of Prior Learning (RPL), Recognition of Voluntary Associations (RVAs) and Continuing Professional Development (CPD) through a highly consultative process.

On the legislative front, the Department is engaged in the review of the Construction Industry Development Board (cidb) Act, the Council for the Built Environment (CBE) Act and the principal statutory instruments regulating the 6 Built Environment Professional Councils (BEPCs). The main object of reviewing the cited two Acts is to ensure effective regulation, optimal development and alignment of the construction and property sectors, as well as the built environment professions to Government's development imperatives. The cidb and CBE are at the centre of assisting the Department in fulfilling its mandate.

The Expropriation Bill [B4D-2015] was tabled in Parliament in February 2015 and passed into law in May 2016. Thereafter, the Bill was formally submitted to the President for assent in terms of the Rules of Parliament. Around that time, several interested parties directed written objections to the President to dissuade him from assenting to the Bill. After due consideration of these objections, the President decided to direct a formal enquiry to both the Speaker of Parliament and the Chairperson of the National Council of Provinces.

In February 2017, the Expropriation Bill [B4D-2015] was remitted to Parliament in terms of section 79(1) of the Constitution, 1996 after considering Parliament's response to some concerns. In January 2018, the Portfolio Committee on Public Works (PC) convened a workshop to deliberate on the concerns raised by the President earlier about the Expropriation Bill. The Workshop ended on the footing that it required to align itself to other political initiatives and further address broader matters of expropriation in the context of accelerating land reform.

### **Governance, Management Practices and Compliance**

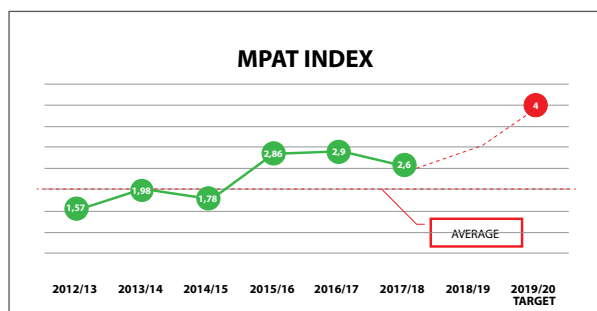
The Governance, Risk and Compliance function was formally established on 01 March 2015 to serve as a catalyst, in concert with other business units and functions in the Department, to respond to rampant fraud and corruption as well as poor levels of service delivery and compliance to certain legal and regulatory requirements. The legislation mandates the Department to meet all associated legal requirements for compliance, good governance, effective management practices and improved service delivery which the Branch is responsible for facilitating and coordinating.

#### • **Management Performance Assessment tool (MPAT)**

The MPAT is a tool that benchmarks good management practice. MPAT assesses the quality of management practices across a comprehensive range of management areas, from supply chain management to strategic planning. In each management area, performance is assessed against the management standards established by the relevant transversal departments (e.g.



National Treasury for financial management; and the DPSA for human resource management and development). The MPAT framework is built around four management Key Performance Areas (KPA's), namely, Strategic Management; Governance and Accountability; Human Resource Management; and Financial Management. MPAT is designed to assess compliance and the quality of management practices in these four KPA's. The four KPA's are further broken down into 17 Management Performance Areas. Performance is measured against 35 standards across the management performance areas. The Department has improved its performance on MPAT since inception in 2012. To successfully track the performance of MPAT over time, the Department created an MPAT index where each KPA is allocated weights. The weights are determined based on the amount of work required and strength of the standards within the KPA. Also, these are seen as key drivers in each KPA. The minimum score is 1 with 4 being the maximum score. The MPAT index is calculated based on the final scores of the MPAT released by the Department of Planning, Monitoring and Evaluation (DPME). The diagram below shows the performance of the index since 2012.



The 2012 MPAT index is 1.57 meaning that the Department performed in the fair category of compliance level. The index improved slightly in 2013 from 1.57 to 1.98 however the category of the compliance level remained unchanged. The index dropped slightly in 2014 (1.78) but picked in 2015 (2.86) and 2016 (2.9). For 2017, the score is at 2.6. In terms of compliance, the Department improved from 38% compliance rate in 2012 to 70% in 2016. With a substantial decrease in the number of standards in 2017 (about 37%), the Department complied at 66%. This still represents a significant improvement in compliance. The Department is aiming at 90 – 100% at the end of the current government administration. Overall, the Department's level of compliance has improved over time and performance above average level. The improvement in MPAT scores is a reflection of the efficiencies within the Department in line with the second phase of the turnaround strategy.

The second phase of the turnaround strategy emphasized efficiency enhancement within the Department ranging from systematic improvements, redesign processes to improvements in operational systems. For this improvement to

be realised, it requires a change in the Departmental values and behaviours that contributes to the unique environment. To this end, the Department has developed a number of frameworks including governance frameworks for continuous performance improvement while meeting governance obligations and legislative requirements. These include the integrity framework that seeks to embed a new ethical culture in the Department and a compliance framework that proactively and systematically seeks to manage compliance. The compliance framework enhances the Department's efforts in administering MPAT where it links Strategy and objectives, Policy and process, Resources and people, and Culture.

The compliance function and the internal control unit in the Department have continued with the assessment of the conformity of internal codes of conduct, policies and internal procedures with legal obligations and best practices applicable to its business of Public Works. In support to the compliance function, the Department has also completed the following frameworks:

- Risk Management Framework and Policy
- Risk Appetite Statement Framework
- Combined Assurance Framework
- Business Continuity Framework and Policy
- Planning, M&E and Fraud Prevention Frameworks and Plans
- Whistle Blowing Policy
- Anti-Corruption Strategy

All these frameworks underpin the second phase of the turnaround strategy towards growth and sustainability of the Department. The Department will implement these frameworks in the next financial year and will continue to embed governance initiatives throughout the Department.

### Anti-Fraud and Corruption

When the Minister announced the Turnaround strategy in 2012, one of the pillars of this strategy was combatting fraud and corruption in the department, and in particular the Property Management arm of the Department.

In this regard the Anti-Corruption Unit (ACU) was established to lead the fight against fraud and corruption in the Department. The ACU has since worked closely with the SIU and other Law Enforcement Agencies in conducting fraud and corruption investigations.

Since the 2012/13 financial year to the end of March 2018, the ACU conducted 249 investigations (24 of this 249 relate to the 2017/18 financial year) on a series of allegations of fraud and

corruption in the department, of which 222 have since been completed (10 for 2017/18), 15 cases are at various stages of investigation (14 in the 2017/18 financial year) and 12 cases were referred to other Law Enforcement Agencies. As a result of these investigations, 236 disciplinary proceedings were initiated against departmental officials, of which 169 have been completed. Of the 169 finalised proceedings, sanctions against officials range from dismissals, final written warnings, written warnings and suspensions without pay. A total of 36 cases which consist of criminal acts related to misrepresentation, and fraud and corruption have also been referred to the South African Police Services for further investigation and possible prosecution of the perpetrators. During the 2017/18 financial year, 12 disciplinary proceedings were initiated against departmental officials, of which 02 have been completed. Of the 02 finalised proceedings, a final written warning and a written warning was issued. Two (02) cases which consist of criminal acts related to fraud and corruption have also been referred to the South African Police Services for further investigation and possible prosecution of the perpetrators. Tender fraud and corruption constituted sixty seven (67) percent of these allegations, while the remaining allegations related to financial misconduct, lease irregularities, human resource irregularities, project mismanagement, security breaches and irregular awarding of EPWP work opportunities.

In the area of leasing, the Department conducted a review of private leases or leasing-in of buildings from the private sector on behalf of government departments with a view to improving our business practices in this area. As at the end of March 2018, the SIU concluded investigations on 1 020 of a total of 2 162 leases, while investigations on the remaining 1 142 leases are in the final stages of completion. In addition, twenty nine (29) referrals of evidence pointing to the commission of an offence of fraud have been made to the National Prosecuting Authority. Two (2) landlords have been charged.

Eight (8) Acknowledgements of Debt have been signed by Landlords who were overpaid in respect of rentals. The overpayments included leased space that does not exist (short space), non-existent parking bays and Value Added Tax payments made by the Department to Landlords who were not entitled to such payments. The losses amount to R296.9 million. A recommendation was made to the Department to recover the money from the various Landlords by offsetting the losses against future rentals. The Department is in the process of recovering monies in twenty one (21) matters through setoff against rentals, Thirteen (13) matters have been referred to the Asset Forfeiture Unit for the recovery of the proceeds of crime amounting to R130.5 million. Other matters included a submission of a false tax clearance certificate by the landlord to the Department. The Department is in the process of rectifying lease agreements in those instances where the SIU

has found a shortage of space and parking bays. Additional savings are expected over time if leases are renewed based on the rectified terms.

On a governance level, the Department has adopted an Anti-Fraud and Corruption Strategy to prevent fraud and corruption and promote ethical behaviour. The Department's Fraud Prevention Strategy outlines a high level plan on how we will go about implementing our fraud prevention programme and serves as an additional measure to assist in the limitation of the impact of fraud and corruption risks, with a particular focus on creating awareness and promoting ethical business conduct.

As part of the Department's broader measures to eradicate fraud and corruption within its operations we have developed and implemented a Fraud Risk Management Plan which is incorporated into the Department's overall Fraud Prevention Strategy.

In accordance with provisions under the terms thereof, the SIU has conducted a total of 2 324 investigations emanating from 4 Presidential Proclamations, of which 1 159 have been finalized, while 590 are ongoing.

As a result of these investigations, 74 disciplinary proceedings were initiated against Departmental officials and finalized. Sanctions range from final written warnings (8), verbal warnings (3), written warnings (14), dismissals (6), and suspensions without pay (4). In 16 cases, evidence to prove misconduct was found to be insufficient (11) and in 2 cases officials were not guilty.

The SIU also dispensed with 75 criminal matters in the form of referrals to the SAPS, NPA and the SARS. In 17 of these matters, the NPA declined to prosecute. 36 and 17 matters are still under consideration by the NPA and SARS respectively, while 5 matters are under further investigation by the SAPS.

Finally the SIU in totality is seeking to recover an amount of R1.2 billion in losses suffered by the Department as a consequence of a series of irregularities relating to transactions entered into by the Department with service providers.

### **Sector Coordination and Concurrent Mandate**

Given the size of the Department and Provincial configuration, functional differences (clash of interests and competing priorities) between the Department and the Provinces, specialisation and interdependence of different processes, coordination becomes a critical feature in ensuring synergy, consistency and realisation of similar objectives within the Public Works Sector.

- **Intergovernmental Coordination**

The Intergovernmental Coordination function in pursuit of its strategic objective of ensuring integrated planning and coordination of the concurrent function, is responsible for providing oversight of the public works sector, with the primary responsibility of promoting and facilitating collaboration and cooperative decision-making. Further, this function ensures that policies and programmes are aligned to the mandate of the Department for implementation across the spheres of government in order to speed up service delivery. In providing support to provinces and fast-tracking service delivery, the Department collaborates with its provincial counterparts on sector transversal programmes such as EPWP, implementation of IDMS, Immovable Asset Register, implementation of GIAMA, coordination of payment of rates and taxes, including service, implementation of intervention projects, among others.

### **Coordination of Public Employment Programmes**

In 2017/18, a total number of 900 234 work opportunities was created, which resulted in the transfer of R10.108 billion in wages to 827 205 participants. 35.7% of these work opportunities were created by public bodies at the national sphere, 41.5% by public bodies at the provincial sphere and 22.8% by municipalities. 66.5% of the work opportunities were filled by female participants, 43.8% by the youth and 1.3% by people with disabilities.

The achievement against the annual target for work opportunities (1 406 736) was only 64%. Poor / under reporting was experienced mainly from Municipalities in the Infrastructure Sector and the Community Work Programme. Engagements are underway with the Department of Cooperative Governance to support Municipalities and the Community Work Programme to implement and report better on EPWP.

The EPWP also enables training and enterprise development. The Department has signed Memoranda of Agreement with Department of Higher Education and Training (DHET) and the Department of Small Business Development, respectively to support EPWP participants in terms of skills development and small business development, particularly co-operative development. As from 2018, the Department will partner with DHET to train a further 8 500 EPWP participants through skills programmes, artisan development programmes and learnerships.

A key initiative undertaken since 2014/15 is with the Manufacturing, Engineering and Services Related Sector Education and Training Authority in which more than 372 youth are provided with opportunities to become fully fledged artisans. These market-required trades include trades such

as auto-electricians, boilermakers, diesel mechanics, motor mechanics, electricians and fitters and turners. To date, 62 persons have completed this 4-year artisan training programme and are officially “red-sealed.” Of the 62 qualified artisans, 53 are youth. These artisan development initiatives in terms of the current agreements with the merSETA and DHET, will result in an annual intake of artisan learners up to March 2021.

Other training initiatives include a partnership with the Financial Sector Conduct Authority, in which 5 948 youth were capacitated on financial and consumer related matters. These interventions are aimed at ensuring that youth understand the importance of budgets, savings, ability to distinguish between wants and needs, credit and the impact that an adverse credit rating can have on future wealth.



The EPWP implements diverse programmes with a youth focus. These programmes include the National Youth Service within the EPWP Infrastructure and EPWP Environment and Culture sectors. The National Youth Service Programmes provide participants with accredited training and workplace experience provided on construction projects that the Department of Public Works implements through various private sector construction companies. These programmes and projects are being implemented countrywide, and concurrently critical assets and services are being delivered such as the construction of schools. In 2017/18, 7 489 youth participated in construction related NYS programmes. Exciting programmes currently being implemented include the Chefs Programme, in which youth are being provided with relevant training and then placed within large hotel groups. These programmes provide the youth with opportunities to be absorbed into formal employment. Other programmes with a large youth focus include the Natural Resource Management programmes such as the Working for Water and Working on Fire, in which youth are being provided with opportunities to become supervisors.

New partnerships currently underway include the Digital Terrestrial Television initiative, with the Department of Communications. Through this new partnership, 47 out of 50 youth have received accredited training on installing set-top boxes in January and February 2018. The Departments are currently considering the implementation of the programme throughout the country.

In terms of small business development, participants are being assisted to form co-operatives, with 152 co-operatives having been supported within the EPWP in 2017/18. Some of the co-operatives are fully youth, whilst others are a mixture of various age groups. The co-operatives are receiving support through DPW partnerships with the National Youth Development Agency. DPW also implements a capacity programme for youth on generate your business idea, start your business and improve your business. These capacity programmes assist to increase the sustainability of the SMME. However, the SMMEs do experience challenges which include technical skills, collaboration amongst co-operative members and access to markets. DPW works with various government Departments and the private sector to resolve these challenges. DPW together various stakeholders including provincial departments, municipalities, the Construction Education and Training Authority (CETA) and financial institutions have supported 350 SMMEs.

Some of the major achievements include the following:

- The EPWP expanded with the inclusion of the Department of Justice and Constitutional Development now implementing EPWP Projects.
- 354 (102%) Non-Profit-Organisations (NPO), against the target of 350 NPOs, under the EPWP Non-State Sector received EPWP subsidy funding support.
- 626 526 households received waste management services and 1 478 635 service beneficiaries received either home community based or ECD services through EPWP-oriented programmes.
- In an effort to address the scarce and critical skills required by the economy, the EPWP, through a partnership with the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) trained youth on various artisan trades such as Auto Electricians, Boilermakers, Diesel Mechanics, Electricians, Fitter and Turners and Motor Mechanics. 150 Participants were enrolled in the Artisan Development Programme, of which 62 participants had passed their trade test in the 2017/18 financial year and are now qualified as artisans on various trades i.e. boilermakers, electricians, diesel mechanics, motor mechanics etc.; whilst the 88 participants still remained on training. In addition, 2 261 participants were trained on various skills programmes i.e. National Certificate: Environmental Practice, General Security Practices, Horticulture and Construction Road works through the Department of Higher Education and Training / National Skills Fund.
- The EPWP also, through engagements with the Local Government Sector Education and Training Authority (LGSETA), managed to source funding to training of 1 143 EPWP participants on the National Certificate: Environmental Practice Skills Programme. As a result at the end of the 2017/2018, 795 participants were trained. The Financial Sector Conduct Authority (FSCA), through the Consumer Financial Education Department, is mandated to provide, promote and support financial education programmes in South Africa. The FSCA partnered with the National Department of Public Works to deliver Consumer Financial Education workshops to 7 500 participants. In the 2017/2018 financial year, 6 740 participants were successfully trained on the basic financial literacy.
- 322 Small, Medium and Micro Enterprises (SMMEs), which includes cooperatives and NPOs, have been supported through capacity building, assistance with regard to compliance matters and training on existing enterprise support. To enhance support offered to SMMEs the DPW had entered into a partnership with the Department of Small Business Development to support SMMEs established through the EPWP.
- The Department, in collaboration with the Department of Communications have in terms of the Digital Migration Programme trained 50 youth in Lejweleputswa District Municipality as Set Top Box installers. The youth trained are part of the 2,780 youth that will be trained country wide. This project is part of initiatives in the Public Employment Programmes Inter-Ministerial Committee (PEP-IMC).
- The Expanded Public Works Programme (EPWP) Recruitment Guidelines were approved in December 2017 to serve as a guide to public bodies when recruiting EPWP participants. The recruitment guidelines advances a fair and transparent process to be followed towards enhancing the integrity of the Programme.
- The Public Employment Programme Inter-Ministerial Committee (PEP-IMC), chaired by the Deputy President, provides collective political leadership towards achieving the outcomes of Public Employment Programmes (PEPs), namely, social cohesion and community development. The PEP-IMC further unblocks strategic constraints for the successful implementation of PEPs in particular the Expanded Public Works Programme (EPWP).

- To this effect, the PEP-IMC visits the Eastern Cape (Whittlesea) in June 2017 and the Free State (Thabanchu) in October 2017 to tangibly experience the EPWP. Many of the projects visited were subsequently assisted through the IMC intervention. For example, in Eastern Cape the Nomaxabiso White Door Centre, which provides support to victims of abuse and crime, operated out of a container. Following the IMC visit they have been provided with better offices space, a formal brick and mortar structure. The Lukhanji Community Work Programme and Ncedisizwe centre, both provide valuable services to the community have been assisted with bakery equipment and training.
- The IMC had identified the rehabilitation of informal settlements has an opportunity to meaningfully engage communities into work through PEPs. This had led to the Departments of Public Works, Human Settlements and Cooperative Governance to collaborate towards the establishment of a programme. A draft MoA is being considered by all three Departments.

## Real Estate Management

Property management is an essential business of the PMTE where the operations, control and oversight of real estate occur. In broad terms the business of PMTE include Real Estate Investment Services, Construction Project Management, Real Estate Management Services, Real Estate Information and Registry and Facilities Management.

### • Real Estate Investment Management

The Real Estate Investment Management is mandated to increase the value of the Immovable Asset portfolio under the custodianship of the Department. This strategic goal was achieved during the year under review in pursuit of its two strategic objectives being to inform asset management decisions through optimal investment solutions, and to measure the level of performance of the immovable asset portfolio that informs property and portfolio strategies

In this regard, the Investment Management function ensured the completion of feasibility studies and valuations reports that informed investment solutions pertaining to the development of accommodation infrastructure for the numerous User Departments which are serviced with accommodation requirements by the Department.

Further, the Property Performance Management function ensured compliance with GIAMA in the development of the Custodian Asset Management Plan for the department's portfolio in consideration of the assessment of building performance and the facilitation of approval for disposals responsive to government socio-economic objectives.

Subsequent to the approval of National Infrastructure Maintenance Strategy (NIMS), the National Immovable Asset Maintenance Management (NIAMM) Framework was developed as a tool to guide the implementation of NIMS throughout National and Provincial infrastructure departments. The implementation of the NIAMM framework by National and Provincial Public Works underway with extension to other sector departments planned for 2018/19 financial year. This will result in standardisation in the implementation of maintenance within the sector. This will lead to improved life-cycle maintenance of assets and reduction in maintenance cost.

Planning and Precinct Development (PPD) programme on the other hand, seeks to redress racial spatial imbalances, guided by the NDP, as well as to integrate government infrastructure planning to create efficiencies, balance the leased portfolio, save costs and ensure more accessible services to the public. The core mandate this programme is to develop government accommodation solutions within identified government precincts in collaboration with municipalities and sector departments to ensure efficiencies for the state.

A Strategic Spatial Framework was developed to spatially target cities and towns in urban and rural areas to ensure the most effective use of government funding in the development of Government Precincts to address the challenges of poverty, inequality and unemployment.

The Framework embodies a criteria matrix which was used to select twenty (20) large cities and fourteen (14) large rural service centres and 37 service towns. The service towns are situated in the 27 poorest District Municipalities as defined by Department of Rural Development and Land Reform (DRDLR).

The GIAMA objectives are addressed in that state's immovable asset portfolio is utilised for government precinct development, ensuring accessible services to the public, reduced lease cost and serving as a catalyst for economic and social development in urban and rural areas.

The Department performed relatively well in this area however the non-achievement of some targets was as a result of the scale and complexity of some of the feasibility studies resulting in more time spent on these feasibilities. Further, requests for release of land for human settlements and land reform programmes could not be processed owing to the requirement for further negotiations on basis of land transactions (e.g. payment terms)

Further, efforts to clear backlogs in relation to requests for disposals and feasibility studies that inform investment and disinvestment decisions were fruitful. In this regard, approval was granted to dispose of 17 land parcels for socio-economic



purposes (primarily servitudes for water, electricity and road infrastructure construction) totalling 2.8320 hectares during the 2017/18 financial year. In this instance, 214 feasibility studies and 397 property valuations were finalised to inform property investment decisions that, in time to come, will accommodate user departments in efficient and contemporary accommodation within which they will undertake their line function services to the community at large. The completed 214 feasibility studies includes acquisition and disposal related requests. Disposal related projects will result to an immediate total income of R28.3 million. Acquisition projects includes amongst others, new purchase and tenant installation, state-owned refurbishments and new constructions whilst disposal related projects includes amongst others: servitudes, donations, outright sale and letting. In this regard, 1965 municipal values for state-owned immovable assets under the custodianship of the Department were appraised during the contestation of municipal valuation rolls to lodge objections where necessary. Out of these 1965 municipal appraisals, 144 objections were lodged with the municipality as they were found not to be fair and reasonable.

Most Municipalities are currently in the process of compiling valuation rolls as guided by MPRA; The Department through its Valuation Directorate will assess all the municipal valuation rolls that would be open for inspection during this cycle. Successful objections to municipal values will translate to significant savings in the department's municipal rates and taxes expenditure and thus improving efficiencies and freeing scarce financial resources for other key infrastructure requirements.

During the year under review over 728 buildings performance was measured in identified areas, inter alia, efficiency, economy, financial performance, effectiveness, physical condition, functionality and utilization. Key issues that were found in the performance assessment indicate that there is very high consumption in energy and water in most facilities as compared to industry standards (Rode Report). Upon further assessment, it was concluded that there is a lot of maintenance backlog in most facilities owing to limited resources that contribute in continuous deterioration of facilities which has a negative effect on service delivery and depreciation of property values. The Department is implement the strategy to levy appropriate user charges which, inter-alia, will increase maintenance budgets and facilitate addressing the maintenance backlog. Maintenance, including refurbishment of state-owned facilities will improve immovable asset performance and enhance portfolio value of the State.

The Department completed its sixth iteration of its Custodian Asset Management Plan based on the information provided in the User Asset Management Plans received during 2017/18 financial year to reflect key initiatives being undertaken within the department in an effort to streamline the portfolio and enhance its economic and efficient state.

Precinct Proposals for Tshwane Northern Gateway, Carolina and Secunda inclusive of the concept design and high level costing for the users departments have been completed. The Concepts that have been developed include concepts for user Departments in Tshwane Northern Gateway for COGTA and Department of Water Affairs. Concepts have been completed for the Carolina precinct for Department of Home Affairs and Department of Correctional Services in a Government precinct where Department of Labour is in the construction phase of this rural precinct. Accommodation Solutions have been developed for in Tshwane in Salvokop for Department of Social Development, Department of Higher Education, Department of Correctional Services and Department of Home Affairs. An accommodation solution was developed in Carolina for the Department of Labour.

The three sites that have been established including one in Johannesburg CBD, in Tshwane for the Government Printing Works and the Polokwane Service Level Agreement was signed that enables bulk service installations.

The PPD programme has 70 current projects in various phases of the planning process. The following precinct are at the implementation phase:

- In Tshwane development within Salvokop is in the implementation phase where the StatsSA head office has been completed in 2016. In order to accommodate four (4) more Head Offices bulk services to the estimated value of R320million is underway in Salvokop.
- Government Printing Works head office comprises one hectare of land with development potential of 70 000m<sup>2</sup> to the value of R700 million. The site enablement process has been completed and the printing works has taken occupation of a portion of the site.
- The redevelopment of the old H G De Witt state owned site is a project of 20 000m<sup>2</sup> to the value of over R500 million and finalisation of site enablement is expected in the next few months. The site is earmarked for the construction of the Head Office for Tourism.
- In Johannesburg the State owned Smith Street site will accommodate four National Departments in a 22 000m<sup>2</sup> development to the value of R400 million. Site establishment was partially completed in 2017 and further expansion of the development rights is underway.
- In Polokwane a precinct is being planned to accommodate the Departmental Regional offices and other social client departments. The site that is 6ha in extent is ready for construction and the site enablement has been completed. The first phase of the development comprises a building to accommodate the Departmental Regional

offices of 6000m<sup>2</sup> to the value of R130 million. The site is earmarked to further accommodate 3 social cluster users with a further estimated construction area of 17 000m<sup>2</sup>. This will reduce current lease portfolio of over 11000m<sup>2</sup> at R80 000 per month.

- In Carolina, site enablement has been completed to permit the development of a Labour office as part phase 1 of the planned social precinct. The Department of Labour is ready to construct a facility of 600m<sup>2</sup> at an estimated project cost of R18 million. The site has been handed over to the Project Management Office to initiate the construction phase.
- In Howick the first phase of the development of a Social Cluster precinct is in advance stage and site enablement is underway. The development represents and infill development on a State owned site where a Magistrate's Court and Police station is already situated. The site can accommodate three social cluster users for which the development rights are in place. Site enablement will be completed within the next 12 months and entails the upgrading of service connections.

In its responsibility to prioritise and allocate funding for repairs and renovations to immovable assets within the Departments portfolio, the Department has become increasingly aware that funding is insufficient to meet all programmed requirements. In relation to Disposals, challenges have been experienced as a result of comprehensive investigations that are required to inform recommendations on disposals with a wide range of dependencies and stakeholder engagements. Further, complex land issues relating to ownership, rights, obligations need to be resolved before a disposal can be recommended. In addition, the shift from a gratis to a remunerated basis of disposal, in alignment with PMTE income-generation requirements, requires extensive consultation and financial planning with departments and entities that have requested the disposal of land from the Department.

Funding models are not defined within the Department and implementation of shared services in precincts remain problematic in addition, client commitments and capital budgets does not align with PPD project development and remains a strategic challenge. The planning process is time consuming as compliances with legislation for site development and land availability takes between 3- 5 years. Bulk service installations can take a further two to three years.

#### • **Immovable Asset Register**

The Immovable Asset Register (IAR) serves as the primary source of data for all property related activities or transactions. In fact the IAR is the core tool of the Department to effectively execute its mandate of providing land and accommodation.

The PMTE's IAR Enhancement Programme included an assessment of its properties to ensure the required information can be recorded in the IAR. The enhanced IAR data and related condition assessment information has been migrated into an integrated asset management solution (Archibus). This will significantly improve PMTE's ability to manage and maintain its asset register whilst integrating with related property management activities in line with leading practice in the real estate management industry.

The Department was issued an adverse audit outcome for the 2016/17 financial year on the IAR which was primarily due to some errors identified in the valuation of immovable assets. These errors were identified to be largely due to first time reporting in full compliance with Generally Recognised Accounting Practices (GRAP) and the magnitude of the Department's property portfolio.

The valuation of the immovable assets comprises the application of the deemed cost model for existing properties and assets under construction. The Department has developed and implemented an audit action plan to address the findings that resulted in the negative audit outcome. The method used to calculate the deemed costs has been revised to incorporate the recommendations identified by the Auditor General. Assets Under Construction (AUC) involved a significant amount of judgment due to the nature of the Property Management Trading Entity (PMTE) operations. To address these judgements, relevant stakeholders within PMTE created a position paper to outline the methodology to be applied to correctly classify, recognise, measure and disclose construction projects in accordance with Standards of GRAP.

State land management is affected by a number of legacy challenges which must be adequately addressed by National and Provincial custodians of immovable assets:

- Custodianship is generally determined by the use or function of the property. It may not always be possible to determine the true custodian for vacant land as evidence of the original intention may no longer be available. This is dealt with by the amended vesting guidelines.
- The vesting process is to ensure that old and historical names on title deeds are changed to reflect the current Constitutional dispensation. The National and Provincial custodians are making attempts to phase out the current, cumbersome vesting processes in order to establish aligned, simple and efficient processes to expedite the vesting mechanism.
- Both National and Provincial government custodians have built many buildings/improvements on tribal land, private land and parastatal land. Therefore, in terms of the State Domestic Facilities Framework, National and

Provincial Custodians will enter into negotiations with these stakeholders for the transfer of such land to National and Provincial Government.

The Department through the PMTE needs to vest about 7 000 land parcels into the name of the National Government of the Republic South Africa. The challenge is often experienced in obtaining required documentation such as title deeds and surveyor general diagrams which are compulsory in order to complete the vesting applications. However, vesting challenges are constantly deliberated and coordinated among the relevant stakeholders to ensure strategies are implemented to fast track the vesting of state land. The Department and the Department of Rural Development and Land Reform (DRDLR) as the main national custodians have assumed a collective and leading role in the vesting of State land parcels.

### Construction Project Management

In terms of Construction Project management, the investment cuts across PMTE Maintenance Programmes, PMTE Capital Programmes and DPW Capital Programmes, with a budget of over R4 billion. The Department, through the PMTE continues to play a critical role in the infrastructure delivery value chain by primarily delivering construction projects and secondarily by impacting positively to the economic growth of the Republic and by creating work opportunities. The expenditure per programme was as follows:

- DPW Capital Project Budget R748 239 000 (94%)
- Client Capital Project Budget R1 751 926 993 (91%)
- Client Maintenance Project Budget R1 978 058 499 (100%)

In the year under review, the Department saw a significant decrease in infrastructure backlogged projects (projects in the construction stage exceeding two (2) years of the planned construction period). Further, the Department completed 92 infrastructure projects, which includes the construction of Port Elizabeth High Court upgrades, repair and renovation of Tseki Magistrate Offices in Maluti-a-Phofung in the Free State as well as new Home Affairs Accommodation in Hluhluwe in UMkhanyakude District, KwaZulu Natal. Police stations in Elandsdraal in Capricorn District Municipality, Limpopo, Bethelsdorp in Nelson Mandela Bay Municipality and Dube-Mabopane in City of Tshwane Metro amongst others were also completed.

The Department continues its project of upgrading border posts across a number of provinces. The intended benefits being include improved operational efficiency and effectiveness, reduction in processing times of people and goods to acceptable international norms, facilitation of optimal

trade relations between the Republic of South Africa and the Southern African Development Community (SADC), enhanced security and maintained infrastructure that supports service delivery. The total expenditure on the budget allocated for Land Ports of Entries amounted to R340.6 million representing a full 100% on expenditure. The full implementation of Infrastructure Delivery Management System (IDMS) is priority within the Department and Strategic Interventions to drive its implementation are put in place with the collaborative efforts from the PMTE.

### Facilities Management and Resource Efficiencies

The entrenchment of the Facilities Management function as a key component in the life cycle management of the property portfolio under the custodianship of the Department proceeded with vigour in the 2017/18 financial year to ensure that its assets are optimally maintained while contributing to job creation, skills development and poverty alleviation.

In addressing numerous concerns relating to the state of Facilities Management, inter alia, an over-reliance on emergency breakdown maintenance, outdated business processes, low levels of statutory compliance, and inadequate funding levels, the Department advanced several key initiatives in the year under review, as discussed below.

Further, by the end of the 2017/18 financial year, maintenance contracts had been implemented on 742 facilities and 94% of maintenance contracts had been awarded to black owned companies.

The Green Building Program continued to support the Department of Environmental Affairs by contributing to the realisation of Nationally Determined Contributions (NDC) in line South Africa's commitments to the United Nations Framework Convention on Climate Change (UNFCCC), through interventions that form part of Near-Term Priority Flagship Programmes described in the National Climate Change Response Policy (NCCRP) and that contribute towards the realisation of National Energy Efficiency Strategy (NEES) objectives which are championed by the Department of Energy (DoE) and the Green Economy Accord.

These interventions covering Energy, Waste and Water Management as they relate to the Department's portfolio are an element of the Department's Green Building Framework and Policy. As described further below, these interventions also comprise a nexus approach to resource efficiency.

A tripartite application for the South African Vertical-Nationally Appropriate Mitigation Actions (VNAMA) programme to the UNFCCC linked-fund by the Departments of Public Works (DPW), Department of Energy, and the Department of Environmental

Affairs was successfully granted. The financial and technical support will provide for the design and implementation of additional Energy Efficiency projects in public buildings in selected National, Provincial and Municipal buildings.

- Maintenance Operations
  - Maintenance Planning: Top 300

In 2016/17 the Top 300 program was introduced with an intent to pilot an integrated delivery model for core elements of FM.

The service tiers to deliver Facilities Maintenance are as follows:

- i. Day to Day Maintenance
- ii. Term Contracts
- iii. Planned Maintenance

In 2017/18, the focus moved to creating a new service tier known as Total Facilities Management (TFM). Conditions assessments were completed across 15 priority facilities to inform the scope and budget of TFM programs for specific facilities.

The process of piloting TFM in the Department took longer than anticipated owing to the necessary analysis of existing TFM contracts within the PMTE and detailed consultation with industry in formulating a TFM product that is aligned with GIAMA.

- Modernisation of Maintenance Operations

An end to end Enterprise Resource Plan (ERP) has been adopted inter-alia through the purchase of the Archibus system. During the year under review, the Archibus "Call Centre" module was fully developed, rolled out and is being implemented in the eleven Regions. This module aims to fully automate and integrate the three primary processes of call logging, call processing, and procurement of services in an effort to streamline operations. This is expected to result in a significant improvement in the manner in which we handle calls in terms of through-put and response times.

Integration to Telemetry devices is underway, this will facilitate machine to machine communication and reporting thus facilitating better monitoring and response to calls. To date, business processes for maintenance have been standardised across the Regions to ensure a uniform approach to all maintenance operations work rather than the current fragmented approach. A pilot for "machine to machine" integration into the call centre has been completed, culminating into the insertion of sensors into the critical components (lifts, boilers & HVAC) so that they automatically feed data into the Call Centre in case of component failure.

- Expenditure Control

For the second consecutive year, efforts continued with the centralisation and direct control of the Regional budget which has yielded greater accountability and visibility of expenditure trends. Expenditure management for FM requires an integration of the call centre function, supply chain processes and payment platforms. The modernisation of maintenance operations through the introduction of Archibus is a significant pillar and has resulted in the following:

- Improvement of state maintenance accruals
- Definition of interim business processes for day-to-day operations
- Engagement with the Regions to improve performance reporting
  - Introduction of ICT to Improve Efficiencies in Maintenance

The following pilot projects have been completed through the Telemetry Project:

- Automation of schedule maintenance function through Archibus.
- Development of an ICT Dashboard which shows live performance trends for critical components.
- Introduction of ICT platform to allow PMTE to have "near" real time reading of third party water and energy savings. This is in an effort to mitigate the audit issues identified by AG.
- Development of performance indicators to align to National Immovable Assets Maintenance Strategy (NIMS) for FM for future consideration.

Additionally, a mobile application has been created to capture and record the FM elements of the critical component inventory across the portfolio which will be refined for operations in the 2018/19 year.

#### • **Occupational Health and Safety**

In the area of Occupational Health and Safety as at March 2018, 1062 (one thousand and sixty-two) buildings were inspected for statutory compliance whilst 912 (nine hundred and twelve) construction sites were inspected. Furthermore, a total of 20 (twenty) inspections of active and spiked railway sidings were completed.

Non-compliance with legislation continues to be a problem as evidenced in a number of prohibition and/or contravention notices. The progressive turnaround in operations relating to all aspects in Facilities Management aim to address the compliance issues related to OHS in the long term.

- **Energy Efficiency**

Energy Performance Contracting continued to be implemented over the reporting period through Shared Energy Savings Contracts model. An improved business process and reporting requirements has been put in place in order to provide required support to the implementing Regional Offices. A Baseline Approval Committee has been established at Head Office for assessment and approval of energy Baseline Reports.

Through interdepartmental cooperation with DoE and DEA, the PMTE will receive technical support (interns and professionals) for the development of monitoring & reporting systems in the DPW Regions. This technical support will also be made available to Provinces through the National/Provincial Green Building Technical Task Team.

Facilities Management and Projects are working on deployment of interns nationally for resource efficiency programmes which contributes towards skills transfer targets.

The energy efficiency achievement for 2017/18 was 61 982 024,6 kWh, with 63 baseline approvals for energy savings projects coming online.

- **Waste Management**

The Department is in a process of rolling out the implementation of waste separation at source in all 11 DPW Regions commencing with the Cape Town Region which is in the process of complying with the waste management hierarchy strategies.

Capacitation of this area will be a focus moving forwards in order to drive waste separation at source, develop and comply with waste management policies, and record and analyse data to inform intervention strategies.

- **Water Efficiency**

The target for water consumption reduction was 4.8 million KLs for 2017/18 and a total of 10.5 million KLs was achieved through the Shared Water Savings Contract. The programme was accelerated through the introduction of clear business processes and baseline approval to deal with water scarcity issues in South Africa. Baselines of 371 facilities nationally have been approved since inception for interventions to be undertaken to continuously contribute towards water savings.

Additional to the water efficiency achievements, key achievements on the water programme are as follows:

Detailed condition assessment have been conducted on 51 Ports of Entry to augment the current water supply. Recommendations from assessments reports have been prioritised and will be implemented based on critical need for water supply for the financial year 2018/2019.

Establishment of Blue and Green Drop requirements, analysis of current conditions and development of Blue and Green Drop Improvement Plans for 51 and 82 water and waste water treatment facilities respectively has been completed at 9 regions.

A comprehensive water quality monitoring programme has been established for water and wastewater treatment works including water resources in 9 regions with recommendations for the Department to undertake operational water quality monitoring.

The enhancement of the Facilities Management function as evidenced above has set a trajectory whereby the condition of the portfolio under the custodianship of the Department and its value will be improved over a period of time.



## 1.4 Overview of the Financial Results

### 1.4.1 Main Account

- Departmental revenue 2017/18

The table below depicts a comparison of the departmental revenue receipts against estimates and compared to the prior year performance.

**Table 1.1: Programme Receipts - DPW**

Departmental receipts	2017/18			2016/17		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of goods and services other than capital assets	280	295	151	595	1 261	(666)
Interest, dividends and rent on land	500	8 498	(7 324)	1 089	12 361	(11 272)
Sale of capital assets	-	-	-	-	70	(70)
Financial transactions in assets and liabilities	1 029	1 565	929	1 080	916	164
<b>Total Departmental receipts</b>	<b>1 809</b>	<b>10 358</b>	<b>(6 244)</b>	<b>2 764</b>	<b>14 608</b>	<b>(11 844)</b>

The Department collected R10 million as per different categories reflected in Table 1.1. The increase in revenue collection mainly relate to interest to the amount of R8.4 million received on advance payments made to the IDT for the Non-State Sector Incentive and other project implemented on behalf of the Department.

#### • Budget Allocation 2017/18 - DPW

The Department's adjusted appropriation for the year under review was R6.985 billion, which is an increase of 7% compared

to the 2016/17 financial year's adjusted appropriation of R6.513 billion. The increase in the budget allocation was mainly for current payments and transfers and subsidies for the EPWP incentives and conditional grants

As depicted in Table 1.2, the bulk of the appropriated financial resources (92%) are allocated between Expanded Public Works Programme (35%) and Property and Construction Industry Policy and Research (57%). These two programmes represent the major proportion of the Department's mandate or deliverables.

**Table 1.2: Budget Allocation per Programme Programmes**

	<b>R'000</b>	<b>Allocation as %</b>
Programme 1: Administration	447 741	<b>6%</b>
Programme 2: Intergovernmental Coordination	48 230	<b>1%</b>
Programme 3: Expanded Public Works programme	2 402 957	<b>35%</b>
Programme 4: Property and Construction Industry Policy and Research	4 001 406	<b>57%</b>
Programme 5: Prestige Policy	84 796	<b>1%</b>
<b>Total</b>	<b>6 985 130</b>	<b>100%</b>

- **Expenditure Analysis - DPW**

A summary of the Department's financial performance is provided in Tables 1.3, 1.4 and 1.5 below which show the overall budget and expenditure as well as spending per economic classification.

**Table 1.3: Expenditure Analysis**

	<b>2017/18 R'000</b>	<b>2016/17 R'000</b>
Budget allocation	6 985 130	6 512 799
Actual Expenditure	6 927 287	6 403 365
<b>Actual: Spent Budget %</b>	<b>99.2%</b>	<b>98.3%</b>
Unspent funds	57 843	109 434
<b>Actual: Unspent Budget %</b>	<b>0.8%</b>	<b>1.7%</b>

**Table 1.4: Expenditure Analysis per Programme - DPW**

	2017/18				2016/17		
	Final Appropriation	Actual Expenditure	Variance	Expenditure as %	Final Appropriation	Actual Expenditure	Expenditure as %
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
Administration	447 741	447 607	134	100.0%	516 006	450 463	87.3%
Intergovernmental Coordination	48 230	45 419	2 811	94.2%	28 639	16 477	57.5%
Expanded Public Works Programme	2 402 957	2 367 805	35 152	98.5%	2 319 500	2 301 446	99.2%
Property and Construction Industry Policy and Research	4 001 406	3 986 848	14 558	99.6%	3 553 089	3 547 048	99.8%
Prestige Policy	84 796	79 608	5 188	93.9%	95 565	87 931	92.0%
<b>Totals</b>	<b>6 985 130</b>	<b>6 927 287</b>	<b>57 843</b>	<b>99.2%</b>	<b>6 512 799</b>	<b>6 403 365</b>	<b>98.3%</b>

**Table 1.5: Spending Per Economic Classification – DPW**

	2017/18				2016/17		
	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure	Expenditure as % of final appropriation
	R'000	R'000	R'000	%	R'000	R'000	%
<b>Current payments</b>							
Compensation of employees	457 551	444 993	12 558	97.3%	470 261	438 827	93.3%
Goods and services	413 170	369 421	43 749	89.4%	431 859	366 111	84.8%
Interest and rent on land	1 806	1 806	-	100.0%	-	-	-
<b>Transfers &amp; subsidies</b>							
Provinces & municipalities	1 472 615	1 472 615	-	100.0%	1 425 668	1 425 666	100.0%
Departmental agencies & accounts	3 845 418	3 845 388	30	100.0%	3 507 375	3 507 343	100.0%
Foreign governments & international organisations	22 342	22 342	-	100.0%	28 234	28 234	100.0%
Public corporations & private enterprises	111 066	111 066	-	100.0%	-	-	-
Non-profit institutions	624 024	624 024	-	100.0%	600 427	600 427	100.0%
Households	13 894	13 554	340	97.6%	10 068	9 579	95.1%
<b>Payment for capital assets</b>							
Machinery & equipment	17 960	16 794	1 166	93.5%	31 451	19 722	62.7%
Software & other intangible assets	62	62	-	100.0%	6 057	6 057	100.0%
<b>Payment for financial assets</b>	<b>5 222</b>	<b>5 222</b>	<b>-</b>	<b>100.0%</b>	<b>1 399</b>	<b>1 399</b>	<b>100.0%</b>
<b>Total</b>	<b>6 985 130</b>	<b>6 927 287</b>	<b>57 843</b>	<b>99.2%</b>	<b>6 512 799</b>	<b>6 403 365</b>	<b>98.3%</b>

Departmental spending for the period under review is R6.927 billion which represents 99.2% of the adjusted budget of R6.985 billion. Under spending of R58 million mainly relates to compensation of employees, goods and services, transfers and subsidies and machinery and equipment. Details of underspending per programme and economic classification is discussed below:

- **Programme 2: Intergovernmental Coordination**

The under spending of R2.8 million in Programme 2 relate to:

- Compensation of employees under spending of R1.3 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions.
- Goods services under spending of R907 000 is mainly due to expenditure planned to support the development of plans and processes for the newly established branch (Professional Services), however, due to the delay in the implementation of the matching and placing the funds could not be spent as initially planned.
- Transfers and subsidies underspending of R171 000 is mainly due low spending on household for exit packages.
- Machinery and equipment under spending of R390 000 is due to a delay in the planned acquisition of assets resulting from unfilled vacant positions.

- **Programme 3: Expanded Public Works Programme**

The under spending of R35 million in Programme 3 relate to:

- Compensation of employees under spending of R7 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions. Goods services under

spending of R28 million is mainly due to a delay in the implementation of infrastructure, social, environment and culture projects. The Environment & Culture sector had a commitment budget for Buffalo City Coastal project to be implemented by Buffalo City Coastal project as per the signed MOA between the City and the Department, however, the city failed to comply with the MOA resulting in the delayed spending. The delay in allocating projects to contractors to procure services of mentors and training providers for implementation of Vuk'uphile.

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

The under spending of R15 million in Programme 4 relate to:

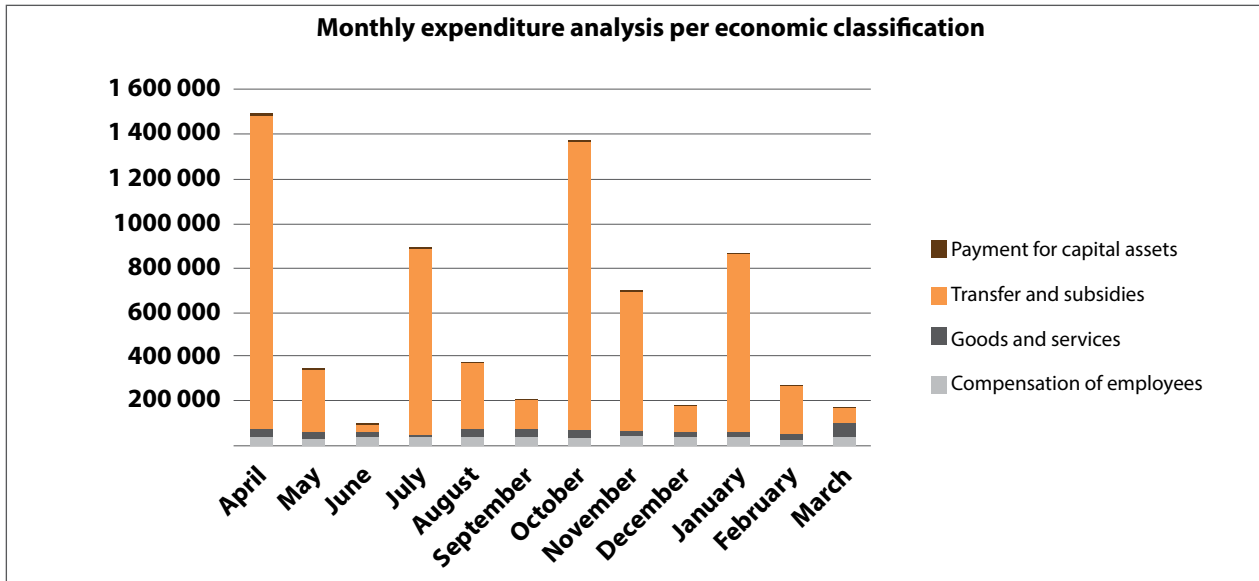
- Compensation of employees under spending of R5 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions.
- Goods services under spending of R10 million is mainly due to a delay in entering into new agreements with the Property and Construction Charter institutions which resulted in the planned payment to both Property and Construction Charter Councils not being paid in the current financial year. The new agreements will be entered into in the 2018/19 financial year and the payments will be aligned to the councils' financial year.

- **Programme 5: Prestige Policy**

Under spending of R5 million in Programme 5 for goods and services is mainly due to the planned expenditure that could not be incurred as the appointed service provider was placed on hold for contractual reasons.



- **Spending trends**



The monthly expenditure was in the average region of R577 million with high spending of R1.4 billion and R1.2 billion in April and October 2017 respectively. High expenditure relate to the transfer payment to the PMTE.

- **Virement**

At the end of the financial year, the department shifted funds between sub programmes and economic classification in line with the PFMA and the set threshold of 8% was not exceeded. The funds were then utilised as per the table below:

**Table 1.6: Virement for 2017/18 - DPW**

	Programme 1 R'000	Programme 3 R'000	Programme 5 R'000	Total R'000
Compensation of employees	-	(1 711)	1 711	-
Goods and services	553	(2 463)	-	(1 910)
Transfers and subsidies	114	(114)	-	-
Payments for capital assets	1 889	(338)	(1 551)	-
Payments for financial assets	1 910	-	-	1 910
<b>Total</b>	<b>4 466</b>	<b>(4 626)</b>	<b>160</b>	<b>-</b>

The following virement of funds were applied:

- Programme 1 was increased by R4.466 million through virement of funds from Programme 3 to offset high expenditure on goods and services, transfers and subsidies, payment for capital assets and payment for financial assets.
- Programme 3 was decreased by R4.626 million through virement of funds to Programme 1 (R4.466 million) and Programme 5 (R160 000). The reduction was effected on compensation of employees, goods and services, transfers and subsidies and payment for financial assets.

- Programme 5 was increased by a net amount of R160 000 through an increase of R1.711 million to compensation of employees and decrease of R1.551 million from payment for capital assets from Programme 3.

- **Unauthorised Expenditure**

No unauthorised expenditure was incurred. The report for the total cumulative unauthorised expenditure of R261.2 million has been submitted to the National Treasury to be considered for the condonement by the Parliament.

## 1.4.2 Property Management Trading Entity (PMTE)

### Financial Results

#### Programme revenue 2017/18

The table below depicts a comparison of the estimated PMTE revenue compared to the actual receipts (excluding municipal services revenue of R3 625 704 recovered in line with the agent-principal criteria).

**Table 1.7: Budget versus actual receipts**

	2017/18				2016/17			
	Final budget	Actual receipts	Variance	% variance	Final budget	Actual receipts	Variance	% variance
Revenue	R'000	R'000	R'000		R'000	R'000	R'000	
Accommodation charges – leasehold	4 292 140	4 651 753	(359 613)	108%	4 145 705	4 227 723	(82 018)	102%
Accommodation charges – state owned	6 466 518	6 164 816	301 702	95%	6 772 854	6 493 010	279 844	96%
Rental Debtors	50 000	48 492	1 508	92%	-	-	-	-
Augmentation	3 682 254	3 682 254	-	100%	3 389 448	3 389 448	-	100%
Municipal Services Management Fees	185 285	181 285	4 000	98%	171 290	184 783	(13 493)	108%
Other	8 594	12 885	(4 291)	150%	20 801	8 594	12 207	41%
Construction revenue	296 231	242 465	53 766	100%	-	259 067	(259 067)	100%
<b>Total</b>	<b>14 981 022</b>	<b>14 983 950</b>	<b>(2 928)</b>	<b>100%</b>	<b>14 500 098</b>	<b>14 562 625</b>	<b>(62 527)</b>	<b>100%</b>

### **Accommodation charges – Private Leases**

The revenue variances is largely attributable to the amount R359 million received in advance from client departments.

### **Accommodation charges - freehold inter-governmental:**

The revenue variance between the final budget and the actual performance is largely attributable to Intergovernmental accommodation charges invoiced which was not recovered from the User Departments.

### **Construction revenue**

Projected recoveries from construction contracts are budgeted for against State owned accommodation charges. Revenue from construction contracts relating to non-state owned assets is however recognized separately as construction revenue in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2017/18 Annual Financial Statements process and related to the Department of Defence endowment properties. The variance is attributable to the fact that expenditure was lower than the budgeted amount due to the delays experienced in the execution of some of the projects.

### **Municipal services recovered and paid**

The revenue variances is largely attributable to unpaid balances due to disputes, mainly relating to non-occupation of properties and abstaining from shared savings contracts claims.

The PMTE performs the role as agent for all client departments when municipal services are provided. These services are performed for the benefit of the client who remains the principal in this agreement. The principal should account for the amount received or paid. Hence zero amount budgeted for this item. Net effect of payments and recoveries should be zero as municipal services are managed on a cost recovery basis.

### **Municipal Services (Management Fees)**

The variance on this item is attributable to the fact that the amount received as at the end of the Financial Year was less than the amount claimed, the calculation of the management fee was based on the amount to be claimed for the municipal services from the client departments. Included in the amount received is the amount of R12 million relating to the invoices issued in the previous financial year.

### **Budget allocation 2017/18 - PMTE**

The PMTE's total allocation for 2017/2018 was R14.9 billion. As depicted in table 2 below, the bulk of these resources are allocated to Construction Project Management, Real Estate Management Services and Facilities Management Services. These operational line function programmes represent the major portion of the PMTE's mandate and deliverables. The budget allocation in the below table incorporates current expenditure payments, capital payments and excludes the Municipal services recoverable.

**Table 1.8: Budget allocation per programme - PMTE**

Programme	R'000	Allocation as %
Administration	933 982	6%
Real Estate Investment Services	187 984	1%
Construction Project Management	4 312 091	29%
Real Estate Management Services	6 309 979	42%
Real Estate Information & Registry Services	50 320	0%
Facilities Management Services	3 186 666	21%
<b>Total</b>	<b>14 981 022</b>	<b>100%</b>

**Expenditure analysis**

A summary of the PMTE's financial performance is provided in table 3, 4 and 5 below which reflect the overall budget and expenditure as well as spending per economic classification (excluding municipal services expenditure incurred in line with the agent-principal criteria).

**Table 1.9: Overall expenditure analysis - PMTE**

	2017/18	2016/17
	R'000	R'000
<b>Budget allocation</b>	14 981 022	14 500 098
<b>Actual expenditure</b>	14 711 904	14 212 808
<b>Actual: spent budget %</b>	<b>98%</b>	<b>98%</b>
<b>(Over)/ under spending</b>	269 118	287 290
<b>Actual: budget (over)/ under spend %</b>	<b>2%</b>	<b>2%</b>

**Table 1.10: Expenditure analysis per programme - PMTE**

	Final allocation	Actual expenditure	Variance	% spent	Final allocation	Actual expenditure	Variance	% spent
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	
Administration	933 982	925 090	8 892	99%	786 050	623 937	162 113	79%
Real Estate Investment Services	187 984	153 750	34 234	82%	116 521	108 330	8 191	93%
Construction Project Management	4 312 091	3 873 852	438 239	90%	4 842 942	4 473 336	369 606	92%
Real Estate Management Services	6 309 979	6 209 399	100 580	98%	5 932 469	6 030 959	(98 490)	102%
Real Estate Information & Registry Services	50 320	26 124	24 196	52%	86 836	72 277	14 559	83%
Facilities Management Services	3 186 666	3 523 689	(337 023)	108%	2 735 280	2 903 969	(168 689)	106%
<b>Total</b>	<b>14 981 022</b>	<b>14 711 904</b>	<b>269 118</b>	<b>98%</b>	<b>14 500 098</b>	<b>14 212 808</b>	<b>287 290</b>	<b>98%</b>

Details of (over-)/underspending per programme is discussed below:

- **Programme 1: Administration:** The one percent underspending in Programme 1 relates to saving realised on the Machinery and Equipment budget that was underspent due to challenges experienced during the year with procurement of ICT equipment.
- **Programme 2: Real Estate Investment Services:** The underspending in Programme 2 relates to the Machinery and Equipment budget which was not fully spend due to challenges experienced during the year with the procurement of ICT equipment during the year.
- **Programme 3: Construction Project Management:** The underspending in Programme 3 relates to the delay in the execution of some of the infrastructure projects due to poor performance by the contractors and challenges with the award of projects. Funding was earmarked for the acquisition of two sites in the City of Tshwane under the Precinct Planning and Development Programme. These acquisition were not finalised in the 2017/18 financial year due to a delay in obtaining a Council Resolution. Application will be made to roll this funding over to the next financial year as it is expected that the process will be finalised during the first quarter of the 2018/19 financial year. Machinery and equipment budget was underspent following the issues which relate to the procurement of ICT. Furthermore the under expenditure is due to the reclassification of expenditure from Capital to Current on projects that were budgeted for against Capital.
- **Programme 4: Real Estate Management Services:** The underspending in Programme 4 relates to slow spending on Property Rates budget due disputes of ownership on some of the properties and the rand value presented on the invoices. The reconciliation process is taking place between the Region and the Municipality, however the process is taking long. Machinery and equipment budget was underspend following the issues which relate to the procurement of ICT.
- **Programme 5: Real Estate Information and Registry Services:** The underspending in Programme 5 relates to a saving realized on Compensation of Employees due to the delay in filling vacant positions.
- **Programme 6: Facilities Management:** The over expenditure is due to the reclassification of expenditure from Capital to Current on projects that were budgeted for against Capital.



**Table 1.11: Spending per economic classification - PMTE**

	Final allocation	Actual expenditure	Variance	% spent	Final allocation	Actual expenditure	Variance	% spent
	R'000	R'000	R'000		R'000	R'000	R'000	
Current Payment								
Cleaning and Gardening	284 270	264 775	19 495	93%	250 657	252 895	(2 238)	101%
Leasing (Private owned)	4 423 869	4 416 619	7 250	100%	4 266 679	4 266 679	-	100%
Repairs	943 594	1 345 591	(401 997)	143%	854 551	884 767	(30 216)	104%
Maintenance	1 367 580	1 314 425	52 155	96%	1 172 504	1 172 157	347	100%
Municipal Services non-recoverable	356 008	341 181	14 827	96%	273 916	356 464	(82 548)	130%
Property Rates	1 339 679	1 242 621	97 058	93%	1 161 796	1 227 927	(66 131)	106%
Compensation of Employees	1 546 599	1 589 689	(43 090)	103%	1 469 783	1 366 306	103 477	93%
Admin Goods and Services	613 184	775 963	(162 779)	127%	705 421	639 126	66 295	91%
Construction costs	296 231	242 465	53 766	0%	-	259 067	(259 067)	100%
<b>Total current payments</b>	<b>11 171 014</b>	<b>11 533 330</b>	<b>(362 316)</b>	<b>103%</b>	<b>10 155 307</b>	<b>10 425 388</b>	<b>(270 081)</b>	<b>103%</b>
Capital Payment								
Capital non-recoverable	1 832 222	1 453 885	378 337	79%	1 093 388	1 115 754	(22 366)	102%
Machinery & Equipment	-	-	-	-	40 414	30 065	10 349	74%
Capital recoverable	1 977 786	1 713 437	264 349	87%	3 210 989	2 641 601	569 388	82%
Intangibles	-	3 384	(3 384)	100%	-	11 871	(11 871)	100%
Finance Leases	-	7 869	(7 869)	100%	-	366	(366)	100%
Total capital payments	<b>3 810 008</b>	<b>3 178 574</b>	<b>631 434</b>	<b>83%</b>	<b>4 344 791</b>	<b>3 799 657</b>	<b>545 134</b>	<b>87%</b>
<b>Total</b>	<b>14 981 022</b>	<b>14 711 904</b>	<b>269 118</b>	<b>98%</b>	<b>14 500 098</b>	<b>14 225 045</b>	<b>275 053</b>	<b>99%</b>

Material variance explanations per economic classification are as follows:

**Construction costs:** Projected expenditure from construction contracts are budgeted for against Capital recoverable. Expenditure from construction contracts relating to non-state owned assets is however recognized separately as construction costs in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2017/18 Annual Financial Statements process and related to the Department of Defence endowment properties. The under expenditure relate to delays experienced in the execution of some of the projects.

**Cleaning and Gardening:** This line item represents two percent of the total budget and relates to cleaning and horticultural services in the PMTE, Justice and Prestige facilities. These services are delivered partially through in-house capability and partially through the use of external service providers. The variances is attributable to the delay in the procurement of new contracts where the existing contracts have expired. The reasons for the delays was that most of the service providers were not complying with the responsiveness criteria and the delays in getting security vetting results. The other reason was due to the delay in receiving the claims for the payment of EPWP beneficiaries from DPW.

**Repairs:** The budget is based on the cash flow projection relating to the planned projects roll-out of an extensive project portfolio. The expenditure is monitored closely. The over expenditure is due to the reclassification of expenditure from Capital to Current on projects that were budgeted for against Capital.

**Maintenance:** This budget relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of the expense, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted. The additional funding was provided to assist in paying the outstanding invoices relating to Day to Day Maintenance. However as at the end of the financial year funding could not be fully spent.

**Property rates:** The underspending on this budget was due to disputes of ownership on some of the properties and the rand value presented on the invoices. The reconciliation process is taking place between the Region and the Municipality, however the process is taking long.

**Private Leases:** The overspending of 2% can be attributed to escalation clauses in the individual lease contracts. As this budget is recoverable all expenditure will be recovered from the clients and does not affect the overall operations of the PMTE.

**Municipal services expenditure:** Slow expenditure which was due to late receipt of invoices from the municipalities. This lead to the underspending on the Municipal Services budget.

**Administrative Goods and Services:** The over expenditure relates to losses incurred due to contractors defaulting on infrastructure projects where the costs have not been recovered.

**Compensation of Employees:** Overspending relates to the payment of compensation to officials appointed on a contract basis. The Compensation budget was reduced as the contracts were ending during the financial year, however these contracts were extended longer than expected. These appointments were necessary while the new structure was implemented and officials were matched and placed to the correct positions. The shortfall will be funded from savings against other budget items.

**Capital non-recoverable:** Funding was earmarked for the acquisition of two sites in the City of Tshwane under the Precinct Planning and Development Programme. These acquisition were not finalised in the 2017/18 financial year due to a delay in obtaining a Council Resolution. Application will be made to roll this funding over to the next financial year as it is expected that the process will be finalised during the first quarter of the 2018/19 financial year. Furthermore the under expenditure is due to the reclassification of expenditure from Capital to Current on projects that were budgeted for against Capital.

**Capital recoverable (Client infrastructure):** The underspending on this budget occurred on projects against Arts and Culture, Justice and SAPS. The reasons for the underspending was due to the delay in the execution of projects which was caused by some of the contractors being liquidated and in financial distress. There were engagements between the contractors and the Department and the extension of time was approved on some of the projects.

### **Bank overdraft of the PMTE**

The Property Management Trading Entity (PMTE) operating model directly contributes to the bank overdraft of the entity. This is due to the fact that the PMTE incurs expenditure on behalf of the client departments, while the invoices are issued at the beginning of the following month. A significant portion of the PMTE expenses relates to third party contractual obligations and clients only settle these debts after 60 to 90 day, these costs directly contribute to the bank overdraft.

The PMTE has received the exemption on itemised billing; however allocations for accommodation charges are not ring fenced resulting in users utilising the funds for other purposes.

This may result in further future funding constraints when itemised billing is finally implemented and increased rates are introduced. The PMTE has already noted a reduction in receipts during 2017/18 financial year. Should the poor recovery of accommodation charges continue, it will have a further negative impact on the bank overdraft which already had a balance of R2.3b as at 31 March 2018.

The PMTE is currently engaging National Treasury to find methods of reducing the bank overdraft. The above exposure emanating from the PMTE's operating model is being addressed through the following:

- National Treasury has already supported the position of billing clients in advance so that the timing delay between the payment of service providers and the recovery of funds from clients can be minimised.
- Interaction with client departments has commenced, which should culminate in signed service level agreements agreeing to the following:
  - the revised advanced billing for known and confirmed commitments;
  - the payment of all liabilities within 30 days (rental, utilities costs, etc.);
  - the phased implementation of itemised billing for state-owned accommodation, which will lead to reduced disputes regarding the payment of invoices that was historically issued on the basis of the devolution of budgets;
  - the payment of a once-off deposit for municipal services or utilities; and
  - Interest on payments received post 30 days payment terms.

### Steps taken to curb irregular expenditure

The PMTE incurred and reported irregular expenditure in the year under review amounting to R2,5 million, compared to R11,1 million in the 2016/17. This relates to irregular expenditure transactions that were procured in the current financial year. This brings the balance of irregular expenditure in the year under review to R2,2 billion, compared to R3,7 billion in 2016/17. The drastic reduction of irregular expenditure incurred in the current could be attributable to the improved systems internal control, especially in the area of supply chain management, where the AGSA confirmed as the bedrock of irregular expenditure since over 90% emanated in this area. As reported in the previous year, the balance of R3,7 billion in the current, which in the previous year was R3,5 billion, is as a result of a legacy of systemic issues that prevailed prior to

the transformational trajectory that the PMTE and Department embarked on.

Management has heightened consequence management for officials who found to have caused irregular expenditure. New transactions of irregular expenditure discovered in the current year, where it has been determined who the responsible official(s) is/are, have been referred to Labour Relations to institute disciplinary actions against the implicated employees. Investigation to clear the old balance transactions is proceeding as evidenced by the reduction of R1,7 billion.

### Exemptions and deviations received from National Treasury

During the 2017/18 financial period, the PMTE requested an exemption for the itemised billing for a period 5 years and received an approval from National Treasury to continue invoicing the client departments based on the devolved budgets. The exemption was granted for the itemised billing in terms of section 79 of PFMA until 31 March 2019 subject to the following key conditions:

- The approval is in line with the financial years for the implementation of itemised billing, this means that in 2018/19 onwards the exemption will not apply to the clients that will be billed as per the itemised billing from 1 April 2018;
- A review of the performance of the PMTE against the outputs and targets of the itemised billing project will be conducted to consider extending approval for the deviation beyond 31 March 2019 (the extension will depend on the outcome of the review);
- In conformity with the timelines for the implementation of the itemised billing in different departments, the PMTE must enter into formal agreements which will specify the amount which will be levied as an accommodation charge per property rented by a given institution;
- The deviation is conditional upon sufficient progress being made towards achieving the milestones in the project plan and National Treasury reserves the right to withdraw the exemption;
- The deadline of 31 March 2023, by which the itemised billing must be implemented for institutions named in the project plan, equally applies with respect to the requirements to implement itemised billing for any other institution not named in the project plan.

The Property Management Trading Entity (PMTE) submitted a detailed project plan for the itemised billing project which was approved by National Treasury in January 2018. The plan reflected the milestones to be achieved for the itemised billing project per cycle for the identified client departments as follows:

- Identify Client Departments to be billed in next financial year;
- Confirmation of occupancy with identified clients;
- Determine average tariff per affected facility type and condition level using User Charge Model (UCM);
- Calculate accommodation charges for affected client departments;
- Confirm baseline allocations for affected client departments;
- Calculate variance between ideal and baseline accommodation charges;
- PMTE and NT to reach an agreement on rates to apply per property and client departments that will be billed with effect from beginning of each the financial; and
- An agreement to be entered into between PMTE and the client department.

Due to the magnitude of this project the PMTE will implement the itemised billing in a phased approach. Itemised billing will be introduced over a five year period by starting with the smaller departments and billing them according to rate which will be approved by National treasury in-line with Treasury Regulation 7.3.1, which requires the accounting officer to obtain approval from relevant treasury for the proposed tariff structure. The focus will then move to the larger departments which are more complex and have bigger budgetary implications.

The Immoveable Asset Register (IAR) was developed to meet compliance and reporting requirements in terms of GRAP. The process of confirmation of occupancy by the Client Departments is assisting the PMTE to update the asset register. Further enhancements to the existing IAR are required for the PMTE to implement itemised billing. For example componentisation of the asset register is required to determine the actual cost of maintaining the facilities.

## 1.5 Future plans of the Department

### Operationalisation and Financial Sustainability Programme (OFSP)

Given the constraints that the National Revenue fund is currently experiencing to fund existing national priorities, National Treasury has been consistent of its expectations of the

PMTE to become financially sustainable in the medium to long term.

In November 2017, the Economic Sectors, Employment and Infrastructure Development Cabinet Committee challenged the Department to “firm up” and “strengthen” plans to address - specifically - how it plans on extracting more value-for-money from the portfolio by concretising potential revenue sources; arresting exorbitant expenditure and quantifying potential savings; and revising its costing model to address historical funding challenges and ease reliance on the fiscus. Further to this, it is common cause that the operationalisation of the PMTE has been central to the Turnaround of the Department and a key priority of the Minister

The above expectations created an urgent pull to extend the Financial Sustainability objective of the PMTE to include a review of all key line function operations with a view of improving it to meet all stakeholder expectations.

To this extent, and as part of enhancing efficiencies within the Department, a dedicated Operationalisation and Financial Sustainability Programme (OFSP) has been established with in the PMTE to commence into the Sustainability and Growth Phase of the Turnaround, designated to:

- coordinate and expedite the development and implementation of a financially efficient operating model for the PMTE
- manage and coordinate the programme of operationalising the PMTE and the migration to a Government Component

In line with the above, the OFSP has been conceptualised as a three (3) year programme, with the following key objectives:

1. Financial Sustainability Programme: where the OFSP will devise the Funding Strategy for the PMTE through the implementation of Finance Model; drive the revision of tariff structures for all property categories through the User Charges Model; and identify and incubate new revenue generation initiatives to be implemented by the PMTE
2. Full Operationalisation of the PMTE: where the OFSP will ensure full Trading Entity compliance; conduct research on solutions for SA dispensation; conceptualise the organisational end-state; and devise the plans to establish the State Property Management Agency (SPMA)

To date, ten (10) revenue generation, as well as cost savings initiatives, have been identified as part of monetising the Immoveable Asset Portfolio. This has been made possible by the successful compilation of the Immoveable Asset Register (IAR), providing the PMTE with the opportunity of harvesting the register.

## 1.6 Entities reporting to the Minister

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
<b>1. CONSTRUCTION INDUSTRY DEVELOPMENT BOARD</b>	Promote the contribution of the construction industry in meeting national construction demand and in advancing national, social and economic development objectives	DPW subsidy transferred to the entity annually	Categorisation and grading of contractors on the national Register of Contractors. The Register of Contractors reflects the nature, size and geographic distribution of contractors and therefore the country's capacity to meet construction demand
	Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector		Establishment of the i-Tender system and the national Register of Projects. The Register of Projects reflects the nature, size and geographic distribution of projects.
	Promote uniform application of policy with regards to construction industry throughout all spheres of Government		Development and implementation of the Standard for Uniformity in Construction Procurement which is aimed at bringing about standardisation and uniformity in construction procurement documentation, practices and procedures.
	Promote sustainable growth of the construction industry and the participation of the emerging sector		<ul style="list-style-type: none"> <li>Establishment of the National Contractor Development Programme (NCDP), which is a public sector led programme comprising of a partnership between the cidb, National and Provincial Public Works and other willing stakeholders and partners.</li> <li>Establishment of the Best Practice Contractor Recognition System which enables organs of state to manage risk on complex contracting strategies; and promotes contractor development in relation to best practice standards and guidelines developed by the Board in terms of section.</li> </ul>
	Promote, establish and endorse uniform standards and ethical standards that regulate actions, practices and procedures of parties engaged in construction contracts		Establishment of the Code of Conduct for all Parties Engaged in Construction Procurement to guide and regulate the behaviour of parties engaged in construction-related procurement.

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
<b>2. COUNCIL FOR THE BUILT ENVIRONMENT</b>	<p>The CBE executes its mandate, derived from the CBE Act 43 of 2000. The scope of the CBE and Professional Councils in the built environment value chain is to regulate those built environment professions who conceptualise, design, build, maintain and transfer social and economic infrastructure.</p>	<p>DPW subsidy transferred to the entity annually</p>	<ul style="list-style-type: none"> <li>• The built environment professions, as defined by the Council for the Built Environment (CBE), include architects, engineers, landscape architects, project and construction managers, property valuers and quantity surveyors.</li> <li>• These professionals play an indispensable role in the production of the built environment, and are crucial to the industry's ability to deliver infrastructure.</li> <li>• It calls on these professionals to provide imaginative thinking, be at the cutting edge of technology, exercise strategic managerial skills, and be skilled crafts men in order to conceptualize and manage the delivery of the physical infrastructure, fundamental to the development of the community they serve.</li> <li>• Built environment professionals are renowned for their ability to add real value through devising physical solutions in response to their briefs, maximizing the potential of the site, and overcoming planning and other constraints.</li> <li>• Construction industry participants exercise a significant influence on the lives of their customers, which include current users, those who pass by their buildings, and those users yet to be born. They must therefore ensure that they deliver physical infrastructure, responsive to customers' needs.</li> </ul>



Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
<b>3. INDEPENDENT DEVELOPMENT TRUST</b>	<ul style="list-style-type: none"> <li>• Constitution of the Republic of South Africa: Act, 1996 (Act No. 108 of 1996)</li> <li>• Public Finance Management Act, 1999 (Act No. 1 of 1999)</li> <li>• Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)</li> <li>• National Treasury Regulations</li> <li>• Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)</li> <li>• Labour Relations Act, 1995 (Act No. 66 of 1995)</li> <li>• Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)</li> <li>• Employment Equity Act, 1998 (Act No. 55 of 1998)</li> <li>• Pension Funds Act, 1996 (Act No. 24 of 1996)</li> <li>• Companies Act, 2009 (Act No. 71 of 2009) as Amended</li> <li>• The Trust Property Control Act, 1988 (Act No. 57 of 1988)</li> <li>• Promotion of Administrative Justice Act 2000 (Act No. 3 of 2000)</li> </ul>	Supplementary Funding Support	Social Infrastructure Programme Management Services, e. g. schools, hospitals, courts etc
<b>4. AGRÉMENT SOUTH AFRICA</b>	Act No. 11 of 2015: Agrément South Africa Act, 2015	Receives an annual grant from the national department of public works.	Agrément South Africa is a world class technical Assessment Agency whose primary role is undertaking technical assessment and certification of non-standard construction products in South Africa for which no national standard exists.

# STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Chapter 5) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2018

Yours faithfully



**Adv Sam Vukela**

Accounting Officer

Date: 25 September 2018



## CHAPTER 2

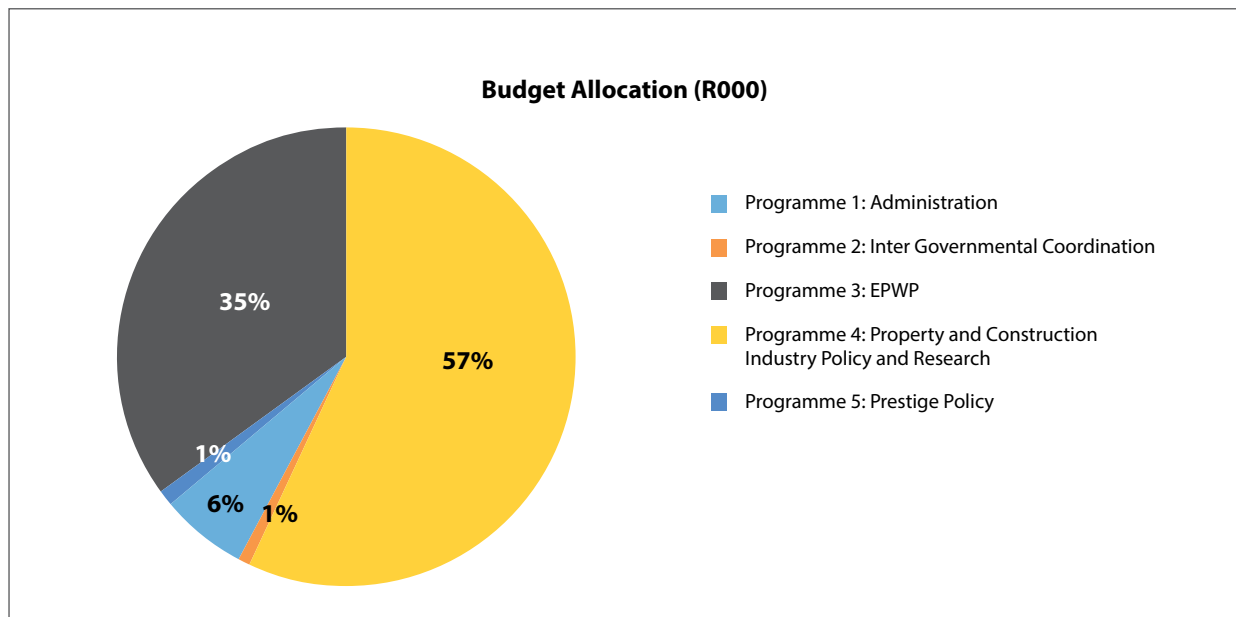
### PERFORMANCE INFORMATION

## 2.1 Overview of Departmental Performance

The Department's programmes have remained relatively the same as the previous financial year for consistency and measurability of progress over time. The main vote (the Department) focused mainly on the intergovernmental coordination, coordination of EPWP programmes, Property and

Construction Industry Policy and Research and management of the prestige portfolio. The core business of property management was ring-fenced under the PMTE with emphasis on, inter alia, managing relations between the Department and client departments, planning and precinct development, construction project management, management of immovable asset register and facilities management. The programme structure of the main vote is depicted below.

**Figure 2.1 Programme Structure and budget allocation of the main vote**



The bulk of the programme allocation is between Property and Construction Industry Policy and EPWP accounting for 92% of the total budget allocation. The Property and Construction Industry Policy and Research on the other hand focused on providing strategic leadership for the regulation of the construction sector to contribute to growth and transformation and sound public sector immovable asset management. The bulk of the budget is through transfers and subsidies to the Departmental entities assisting in achieving and realising Public Works mandate. The EPWP coordinates the implementation of its programme with the aim to create work opportunities and provide income support to poor and unemployed through labour intensive methods. The bulk of the programme's budget was spent on the payment for performance based incentives to eligible Provinces, Municipalities and non-profit organisations to incentivise them to increase job creation efforts. This is in part responding to the socio-economic challenge of high unemployment, inequality and abject poverty.

### 2.1.1 Overview of performance of the Main Vote

The performance of the main vote has been moderate over the period with two programmes facing significant challenges. These include programmes 4 (Property and Construction Industry Policy and Research) and 5 (Prestige Policy). Programme 4 faced great challenges regarding the legal drafting of the various bills. With regards to the development of Public Works White paper significant challenges were faced in the area of acquiring requisite competencies to deal with the complex nature of policy and legislation in relation to the public works function. On the cidb Amendment Bill, engagements commenced with relevant stakeholders during Quarter 3 however it was realised that the Draft cidb Amendment Bill did not address all policy related matters and an internal decision was made to undertake further research. In terms of programme 5, there was challenges in reporting adequate performance for almost all the quarters. The prolonged consultative processes contributed to such levels of performance with regards to the development of Prestige policies. There is still a low turnaround time for responding to mechanical and emergency breakdowns owing to weaknesses in internal controls.

## 2.1.2 Service Delivery Improvement Plan

The implementation of the SDIP, for the three year cycle (2017/18 to 2019/20), incorporates mechanisms for continuous, incremental improvement in service delivery that promotes efficiency and effectiveness. It focusses on critical services within the Operational Plan of the Department that have been identified for special attention and improvement including strategies to bring increased departmental performance in targeted critical service areas. The SDIP also incorporates the objectives set out in the NDP including effective and efficient State institutions with skilled public servants who are committed to the delivery of public goods and capable of delivering consistently high quality services

### Service Delivery Improvement Plan for the main vote

**Table 2.1: Main services and standards**

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
<b>IMPROVING THE DELIVERY OF PRESTIGE SERVICES</b>				
Active Management of client Relations	Prestige Clients	1:1 Parliament, 1:1 Ministers and 1:1 Deputy Ministers (DMs), 8:Parliamentary villages	1:1 Parliament, 1:1 Ministers and 1:1 DMs, 1:1 Union Buildings and 1:1 Chief Justice	Target achieved. Client forums (DG to DG regular engagements): <ul style="list-style-type: none"> <li>• Presidency: DG to DG regular engagement</li> <li>• Parliament: Secretary to Parliament and DG monthly meetings</li> <li>• DG to DG regular engagements (Department of Home Affairs)</li> <li>• DG to DG engagements for the Office of the Chief Justice</li> <li>• DG to DG engagements for all the other Departments are in the pipe-line.</li> </ul>
		Prestige Client Forums	Develop a business case and specifications	Target not achieved. The business case and specifications will be deferred to the next financial year.

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
Active Management of client Relations	Prestige Clients	None	50% plus	<p>Target achieved.</p> <ul style="list-style-type: none"> <li>Each client portfolio (Presidency, Ministers, Deputy Ministers, Members of Parliament, Directors General and Sessional Officials have dedicated Portfolio Managers.</li> <li>Service Level Agreements have been put in place between the Presidency and the Department.</li> <li>A Service Level Agreement between Parliament and the Department is being finalised.</li> </ul>
Effective management of lease related payments by Prestige Clients		70% payment rates	80% payment rates	<p>Target achieved</p> <ul style="list-style-type: none"> <li>100% (7) lease payments were made in respect of Prestige Cape Town lease agreements.</li> <li>100% (6) lease payments were made in respect of Prestige Pretoria lease agreements.</li> </ul>
Prestige accommodation enhancement		Outdated condition assessments in 5 portfolios	1 condition assessment for Union Building	Target achieved. A full condition assessment for Union Buildings was done.
<b>PROPERTY MANAGEMENT EMPOWERMENT POLICY</b>				
Property Policy Research & Development	Property industry (inclusive of the PMTE)	Property Management Strategy on BEE Job Creation and Poverty Alleviation (2007).	Developed Public Works property management empowerment policy	Target achieved. The Property Management Empowerment Policy has been developed and officially approved by the Minister of Public Works in January 2018 for actual implementation by PMTE.



Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
<b>EPWP RECRUITMENT GUIDELINE</b>				
Improved recruitment procedures in the EPWP	Public bodies implementing the EPWP	New indicator	75 public bodies briefed on the EPWP Recruitment guideline	Target not achieved. The Recruitment Guideline was approved by the Minister of Labour in January 2018 and received by the Department in February 2018. This was communicated to public bodies however briefings will only take place in the 2018/19 financial year due to time constraints.
<b>IMPROVING TURNAROUND TIMES FOR THE AWARDING OF BIDS</b>				
Infrastructure procurement	DPW, PMTE, service providers	No infrastructure NBAC. Inadequate compliance with 56 days standard.	NBAC for infrastructure procurement established and institutionalised.	Target not achieved. The Department has an optimally functioning NBAC in place. A separate Infrastructure NBAC has not been established however the quality of the recommendation submissions that is being tabled at the NBAC is being addressed by Project Managers to improve the turnaround times for the awarding of bids.
Tender negotiations prior awarding		None	SOP implemented in all projects in IPJP	Target not achieved. SOPs have not been developed however an SCM Circular has been issued (SCM Circular No 6 of 2018) which informs the negotiation of bid prices prior to the award. This is applicable to all commodity categories inclusive of infrastructure projects.

**Table 2.2: Batho Pele arrangements with beneficiaries**

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Consultation with service beneficiaries takes place through</b>		
<ul style="list-style-type: none"> <li>Client Liaison Forum Meetings</li> <li>Consultations on policy are done through Property Sector Charter Council for all the stakeholders in the property industry.</li> <li>Relevant internal units and nine (9) Provincial Departments of Public Works, were consulted on the property management empowerment through meetings and workshops.</li> <li>Consultations with EPWP stakeholders done through various forums such as National Coordination Committee (NCC), Provincial Steering Committees (PSCs), District Steering Committees (DSCs), National Sector Coordination Committees (NSCC) and Cities Network.</li> <li>Establishment of SCM War room</li> <li>Establishment of SCM forum</li> <li>Issuing of SCM circulars</li> <li>Establishment of negotiation teams</li> </ul>	<ul style="list-style-type: none"> <li>Joint planning initiatives</li> <li>Establishment of client forums, e.g. (Chief of Staff Forum)</li> <li>Coordination of policy implementation tools for Monitoring, Control, and Evaluation.</li> <li>Established the property management empowerment policy monitoring technical team</li> <li>Established the property management empowerment transformation team</li> <li>Established the ad hoc property management empowerment task team for officially launching the property empowerment policy</li> <li>A systematic consultation of all the relevant EPWP stakeholders during the development of the EPWP Recruitment Guidelines.</li> <li>Establishment of SCM War room</li> <li>Establishment of SCM forum</li> <li>Establishment of negotiation teams</li> </ul>	<ul style="list-style-type: none"> <li>Joint planning initiatives have been implemented however the client forms have not been established.</li> <li>All the property management empowerment policy teams were successfully established, their mandate and terms of reference clearly defined.</li> <li>The consultation for the development of the EPWP Recruitment Guidelines was done through the Public Employment Programme Inter-Ministerial Committee (PEP-IMC), National Coordination Committee (NCC), Provincial Steering Committees (PSCs), District Steering Committees (DSCs), National Sector Coordination Committees (NSCC) and Cities Network.</li> <li>The SCM War Room and the SCM Forum are established. The establishment of negotiation teams are provided for in SCM Circular No 6 of 2018. Selected Regional Offices have convened these teams and successfully negotiated prices.</li> <li>Establishment of SCM War room</li> <li>Establishment of SCM forum</li> <li>Establishment of NBAC for Infrastructure</li> <li>Establishment of negotiation teams</li> </ul>

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Information on services provided is shared through</b>		
<ul style="list-style-type: none"> <li>• Presidential Handbook</li> <li>• Ministerial handbook</li> <li>• Approved norms and standards</li> <li>• Information on property management empowerment policy shared through internal communication in the DPW portal</li> <li>• Information on regulation and guidelines that impact on EPWP implementation are shared at appropriate EPWP forums.</li> <li>• Publishing procurement awards on the website</li> </ul>	<ul style="list-style-type: none"> <li>• Presidential Handbook</li> <li>• Ministerial handbook</li> <li>• Approved norms and standards</li> <li>• Policy on the utilisation of transport services at Parliamentary Villages, Utilisation of Prestige facilities at Parliamentary Villages, Allocation of Residences to Parliamentary Office Bearers communicated with clients.</li> <li>• Communique to the Public Works sector on the property management empowerment policy</li> <li>• Information on the Recruitment Guidelines to be presented at various EPWP forums and roadshows.</li> <li>• Information of the Recruitment Guidelines posted on the EPWP website and made available to implementing bodies via brochures, posters.</li> <li>• Publishing procurement awards in the relevant website</li> </ul>	<p>Standard achieved</p> <ul style="list-style-type: none"> <li>• Information on draft EPWP Recruitment Guidelines shared with some stakeholders including the Limpopo PSCs and Cities Network Forum. The full roll out of the Recruitment Guidelines across all spheres of government to be completed in 2018/19</li> </ul>
<b>Service beneficiaries can access services through</b>		
<ul style="list-style-type: none"> <li>• Prestige client relations managers are accessible at DPW Head Office, Pretoria and Cape Town Regional Offices</li> <li>• The Department's Policies and Legislation for the Construction and Property is accessible through DPW website.</li> <li>• All EPWP guidelines are available on the EPWP website and at EPWP implementing bodies' offices.</li> <li>• Supply Chain Management is accessible at Head Office Pretoria and 11 DPW Regional Offices in the provinces</li> </ul>	<ul style="list-style-type: none"> <li>• Prestige client relations managers are accessible at DPW Head Office, Pretoria and Cape Town Regional Offices</li> <li>• Service beneficiaries are able to access the Property Empowerment Policy through the Department's Head office, 11 Regional Offices, 9 Provincial Departments and Property Sector Charter Council.</li> <li>• All stakeholders (participants, implementing bodies, public) have access to the EPWP Recruitment Guidelines.</li> <li>• The signed EPWP Recruitment Guidelines have been circulated to all the EPWP stakeholders.</li> <li>• Supply Chain Management is accessible at Head Office Pretoria and at the Department's 11 Regional Offices</li> </ul>	<p>Standard achieved</p>

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Openness and transparency is achieved through</b>		
<ul style="list-style-type: none"> <li>• Consultation sessions, meetings and workshops on the development of various policies and pieces of legislation.</li> <li>• Communicating the EPWP Plans, Strategies, Guidelines, Targets and performance against targets at all relevant forums with stakeholders.</li> <li>• Publishing procurement awards in the relevant website</li> <li>• Strategic Plan</li> <li>• Annual Performance Plan</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Performance Plan captures essence of the Property Empowerment Policy and its rationale for the purposes of transformation.</li> <li>• All stakeholders are informed of the recruitment process in EPWP through the EPWP implementing bodies.</li> <li>• Publishing procurement awards in the relevant website</li> <li>• Strategic Plan</li> <li>• Annual Performance Plan</li> <li>• Annual Report</li> </ul>	<p>Standard achieved</p> <ul style="list-style-type: none"> <li>• Communication Plan in place to roll out the signed EPWP Recruitment Guidelines all to stakeholders in 2018/19 through various programmes such as provincial roadshows, brochures, radio advertising campaigns, social media campaign and websites.</li> </ul>
<b>Mechanisms in place to ensure redress in the service area</b>		
<ul style="list-style-type: none"> <li>• Call centre for the reporting of unscheduled maintenance breakdowns</li> <li>• Clients have direct access to the Accounting Authority</li> <li>• Clients have direct access to Prestige Head Office where Prestige services have been centralised to enhance line of sight, control and accountability</li> <li>• Public consultations on the advancement of transformation to advantage previously disadvantaged groups.</li> <li>• Contact details for relevant officials made available in the EPWP website for complaints to be made on non-compliance to the EPWP Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Unscheduled maintenance call centre</li> <li>• Clients have direct access to the Accounting Authority</li> <li>• Clients have direct access to Prestige Chief Director at Head Office</li> <li>• Public consultations on the advancement of transformation to advantage previously disadvantaged groups to benefit through preferential procurement procedures and processes e.g. youth and women.</li> <li>• Contact details for relevant officials made available in the EPWP website and guidelines for complaints to be made on non-compliance to the EPWP Recruitment.</li> </ul>	<p>Standard achieved</p>

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Value for money</b>		
<ul style="list-style-type: none"> <li>Adherence to approved Prestige policies, norms and standards</li> <li>Participants in the EPWP are recruited in line with the approved targeting approaches in the EPWP.</li> <li>Adherence to SCM and National Treasury procurement prescripts</li> <li>Cost savings in Infrastructure procurement</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring of compliance to Prestige policies, norms and standards in the provision of immovable and moveable assets</li> <li>Introduction of term contracts for Prestige services to ensure that prices are market related</li> <li>Promote sustainability of emerging black-owned enterprises through enabling framework, i.e. Property Empowerment Policy</li> <li>Adherence to SCM and National Treasury procurement prescripts and cost containment measures</li> <li>The Recruitment Guidelines ensures the provision of opportunities in the EPWP is directed to the targeted groups.</li> <li>Implementation of cidb standards for infrastructure contracts to improve quality, productivity and value for money.</li> </ul>	Standard achieved
<b>Courtesy</b>		
<ul style="list-style-type: none"> <li>Continuous stakeholder engagements at Head Office, Regional Offices Cape Town and Pretoria</li> <li>Ethical behaviour in the recruitment process is determined by the values of the implementing public body.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous stakeholder engagements at Head Office, Regional Offices Cape Town and Pretoria</li> <li>Public participation in the development of policies to be at the forefront of articulating Government's position on transformation.</li> <li>Recognition of human rights in the recruitment of EPWP participants.</li> </ul>	<p>Standard achieved</p> <ul style="list-style-type: none"> <li>The Guidelines explicitly states that recruitment processes should be conducted in a manner that demonstrates personal integrity and that there should be avoidance of conflicts of interests, no personal gain and no undue favours.</li> </ul>

**Table 2.3: Service delivery information tools**

Current/actual information tools	Desired information tools	Actual achievements
<b>Information is communicated through:</b>		
<ul style="list-style-type: none"> <li>• Progress reports to clients</li> <li>• EPWP website</li> <li>• EPWP Recruitment Guidelines Brochure and Posters</li> <li>• Publishing procurement awards in the departmental website</li> <li>• cidb iTender system</li> <li>• Government tender bulletin</li> <li>• National Treasury e-Portal</li> <li>• Annual Report</li> <li>• Strategic Plan</li> <li>• Annual Performance Plan</li> <li>• Helpdesk</li> </ul>	<ul style="list-style-type: none"> <li>• Progress reports to clients</li> <li>• Prestige User Asset Management Plan</li> <li>• EPWP Website</li> <li>• EPWP Recruitment Guidelines Brochure and Posters</li> <li>• Publishing procurement awards in the departmental website</li> <li>• cidb iTender system</li> <li>• Government tender bulletin</li> <li>• National Treasury e-Portal</li> <li>• Annual Report</li> <li>• Strategic Plan</li> <li>• Annual Performance Plan</li> <li>• Helpdesk</li> </ul>	<ul style="list-style-type: none"> <li>• Progress reports to clients</li> <li>• Prestige User Asset Management Plan</li> <li>• All EPWP Stakeholders have access to the EPWP website which is regularly updated.</li> <li>• EPWP Recruitment Guidelines Brochures and posters made available to stakeholders.</li> <li>• Publishing procurement awards in the departmental website</li> <li>• cidb iTender system</li> <li>• Government tender bulletin</li> <li>• National Treasury e-Portal</li> <li>• Annual Report</li> <li>• Strategic Plan</li> <li>• Annual Performance Plan</li> <li>• Helpdesk</li> </ul>



**Table 2.4: Complaints mechanism**

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
<b>Complaints/ suggestions/ compliments/ queries are addressed through:</b>		
<ul style="list-style-type: none"> <li>• Prestige Client Liaison Forums</li> <li>• Presidential Hotline</li> <li>• All EPWP complaints are recorded and referred to relevant authorities within reasonable timeframes.</li> <li>• Website access – Talk to Minister, Talk to DG</li> <li>• Helpdesk</li> <li>• Fraud awareness hotline</li> <li>• Internet/ Intranet communication</li> </ul>	<ul style="list-style-type: none"> <li>• Prestige Client Liaison Forums</li> <li>• Presidential Hotline</li> <li>• All EPWP complaints are recorded and responded to within reasonable timeframes.</li> <li>• Website access – Talk to Minister, Talk to DG</li> <li>• Helpdesk</li> <li>• Fraud awareness hotline</li> <li>• Internet/ Intranet communication</li> </ul>	<ul style="list-style-type: none"> <li>• Prestige Client Liaison Forums</li> <li>• Presidential Hotline</li> <li>• All complaints received on non-compliance to EPWP Recruitment referred to relevant authorities for resolving.</li> <li>• Complaints received on non-compliance to EPWP Recruitment Processes attended to in line with the DPW complaints management systems.</li> <li>• Website access – Talk to Minister, Talk to DG</li> <li>• Helpdesk</li> <li>• Fraud awareness hotline</li> <li>• Internet/ Intranet communication</li> </ul>

### 2.1.3 Organisational Environment

The year under review saw a number of changes in leadership in the Department due to the cabinet reshuffle. The Department appointed a new accounting officer in December 2017 and a Chief Financial Officer in November 2017. These changes brought about a new way of doing business in the Department. Quite significant to these changes were the recognition of female senior management in various portfolios and regional office delivering on the broader mandate of the Department.

The Department was able to successfully implement the approved structure and concluded the process of matching and placement of employees from the old to the new organizational structure. This had the effect of appropriate realignment of personnel and ensure that the organizational structure consists of the required skills. Job Evaluation process was embarked on to fast track the process of filling critical areas. The Department followed this with a recruitment strategy to source skills that will drive its priorities and mandate. The bias was to capacitate critical areas and stabilize senior management levels.

72 officials received Departmental bursaries for studies in different fields. The effort to ensure the upskilling and re-skilling initiative benefitted 23 Security officers for studies towards a matric certificate.

The Department was able to successfully implement the Ministerial Public Participation Programme. This led to a positive outcome in the previously negative perceptions about the department to neutral perceptions. The experience of the public interaction by the department has improved because of new communication platforms that are in use, like social media and the revamping of the website. Similarly, there has been an improvement in the relations and interaction between the Department and the Media industry as a result of open communication lines between the two and now is less adversarial. Changes in the department were well communicated to all stakeholders, which led to well-informed publics. The department has improved and given a facelift to

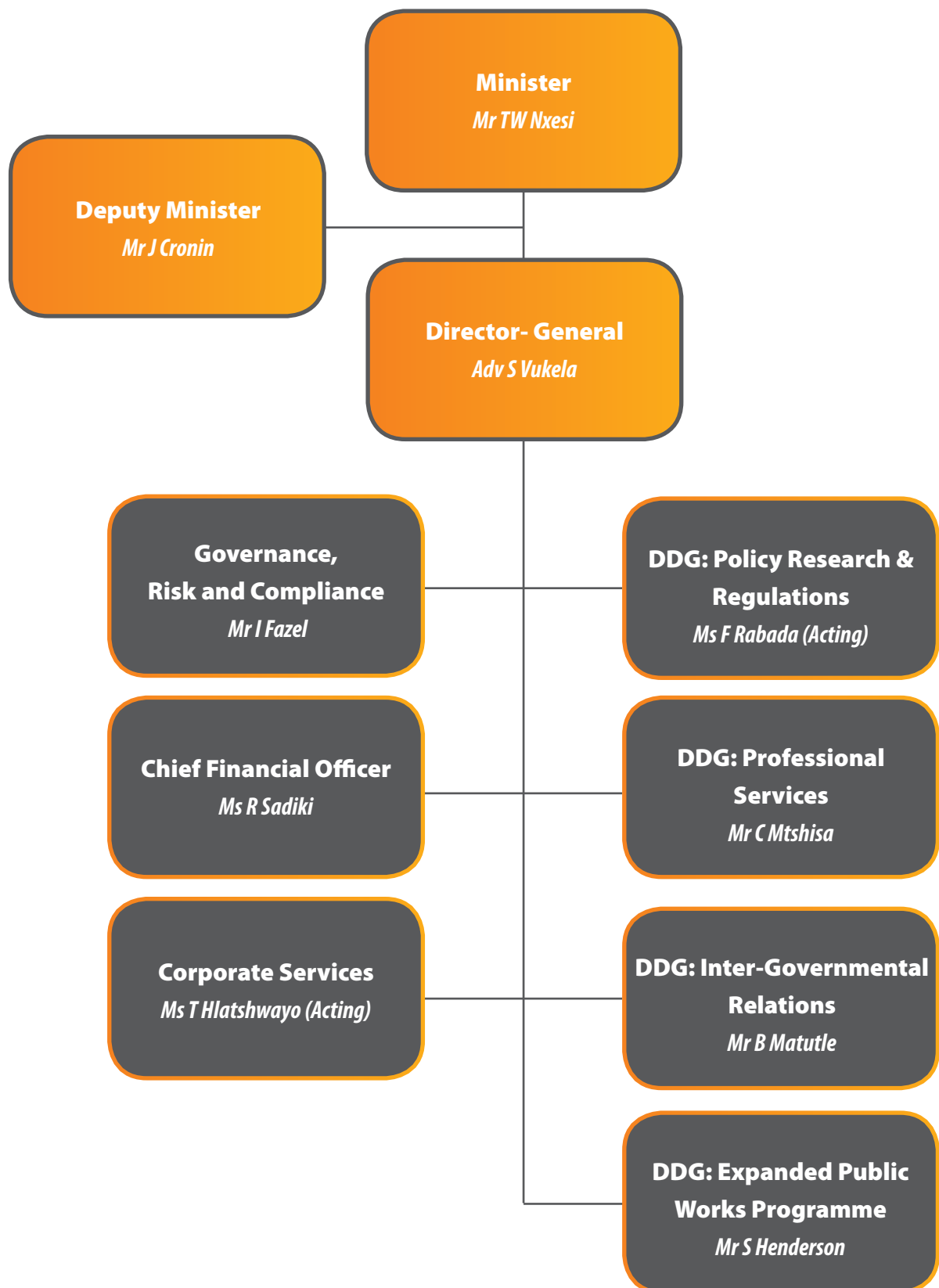
its website to improve and ensure effective communication. To this end the Department's website was revamped to make it user –friendly.

The Department is continuously seeking to reduce its litigation workbook and the long outstanding labour relation cases arising from the SIU investigations. The Department has adopted an alternative dispute mechanism to reduce litigation and civil cases. As a result a number of cases have been resolved through settlement agreement mutually beneficial to the Department and the parties concerned, whilst other matters are still being processed through alternative dispute mechanisms. The expansion of this programme is both labour intensive and cost driven, and with availability of budget, it is possible to further increase employment opportunities as part of the insourcing programme.

In collaboration with SITA, the Disaster Recovery Plan, the ICT Plan and other governance documents have been developed and are being implemented. These will ensure appropriate governance of the ICT environment encompassing areas such cyber security, systems access control and identity management policies within the Department. To improve the network stability and the speed at which systems are accessed, the current phase of the network upgrade have been undertaken through SITA, which included the replacement of the old copper wire network with fibre network technology, and also the upgrade of the bandwidth for some of the offices to a minimum of 4 megabits per second.

The Department stepped up its fight against fraud and corruption by ensuring that senior Managers, SCM and project managers are screened and vetted. Furthermore, the Department conducted security screening on all the recommended candidates as well as service providers who rendered services in National Key Points as well as the Prestige environment. The Department also enhanced its security by employing 78 security officers on permanent basis. The appointment of these security officers led to the reduction of theft of State assets, as well as vandalism of the Head Office buildings.

# DPW ORGANOGRAM



## Legislative and other mandates

The Department's roles and responsibilities are determined by a range of legislative and other mandates, as described hereunder.

- **Constitutional mandate**

The Constitutional mandate for the Department is provided in Schedule 4, Part 4, of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) [Constitution] which makes reference to "Functional Areas of Concurrent National and Provincial Legislative Competence." In executing its mandate, the Department also has to observe the principles of good cooperative governance and intergovernmental relations, as provided for in Section 41 of the Constitution.

- **Legislative mandates**

The legislative mandates of the Department are underpinned by the following Acts:

- i. The Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007), aims to ensure competent immovable asset management in National and Provincial Government in order to improve service delivery;
- ii. The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000), provides for the establishment of the Construction Industry Development Board (cidb), for the implementation of an integrated strategy for the reconstruction, growth and development of the construction industry and other matters connected thereto;
- iii. The Council for the Built Environment Act, 2000 (Act No. 43 of 2000) makes provision for the establishment of a juristic person known as the Council for the Built Environment, the composition, functions, powers, assets, rights, duties and financing of that Council and for matters connected thereto;
- iv. The Professional Council Acts regulate the six Built Environment Professions (BEPs) to organise the built environment professions to serve the imperatives of Government, including transformation, public protection, good governance, etc.;
- v. The Public Finance Management Act, 1999 (Act No. 1 of 1999) promotes the objective of good financial management to maximise service delivery through the proficient use of the limited resources; and
- vi. Other Acts listed in Annexure A.

## Policy Mandates

The Department's policy mandates are derived from the following:

- *DPW White Paper: Public Works, Towards the 21st Century (1997) [White Paper (1997)]*

The White Paper (1997) documented the challenges facing the Department and continues to serve as an overarching policy framework for the Department's restructuring process. This has led to directing the Department to meet Government's socio-economic objectives by becoming a client-orientated organisation which will focus on policy and service reform; property investment, property and facilities management and the implementation of the National Public Works Programmes.

- DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999 [White Paper (1999)]

The White Paper (1999), sets out Government's policy objectives for the construction industry and focuses on the need to enhance delivery, achieve greater stability, improve industry performance, create value for money and facilitates growth of the emerging construction sector.

- *Construction Sector Transformation Charter, 2006 (Charter 2006):*

The Charter 2006, *inter alia*, aims to:

- provide the construction sector with the first quantitative method of monitoring and evaluating the progress of an enterprise towards achieving Broad-Based Black Economic Empowerment targets and thereby contributing to ending the malpractice of fronting;
  - expand the employment potential and absorption capacity of the sector by using labour-intensive approaches where, economically feasible and possible; and
  - address skills development in a manner that accelerates the advancement of black people, women and designated groups with particular emphasis on learner-ships, as well as technical and management training.
- *Property Sector Transformation Charter, 2007 (Charter 2007)*

The Charter 2007 aims to promote the objectives contained in Section 2 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) [BBBEE Act] as these relate to the Property Sector and, in particular but without limitation, *inter alia*, to:

- promote economic transformation in the Property Sector to enable meaningful participation of black people and women;
- unlock obstacles to property ownership and participation in the property market by black people;
- promote property development and investment in under-resourced areas which enhances basic infrastructure, encourages investment and supports micro and small enterprises; and
- facilitate the accessibility of finance for property ownership and property development.
- ***DPW Broad-based Black Economic Empowerment Strategy, 2006 (DPW BBBEES 2006)***
  - This strategy guides the Department to give effect to the BBBEE Act by addressing enterprise

development, preferential procurement, skills development and employment equity.

- ***Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007 (PMS BBBEE 2007):***

- The objective of the PMS BBBEE 2007 is to:
  - address skewed property and equity ownership in the property industry in the country; and
  - promote black participation in the property industry through management, control and procurement.

- ***Green Building Framework, 2001.***

This Framework outlines the Department's commitments to address key elements in the New Growth Path and the Industrial Policy Action Plan by promoting sustainable development, reducing greenhouse gas emissions, promoting energy efficiency, stimulating new green industries, etc.

## Part A: Department of Public Works (Main Vote)

### 2.2 Performance Information of the Department of Public Works

#### Vision

Convenient access to dignified public services.

#### Mission

The Department is committed to the attainment of a transformed built environment sector by:

- Providing strategic leadership to the South African Construction and Property industries;
- Establishing and ensuring compliance to Policy and Legislative prescripts for the :
  - management of State-owned and leased-in immovable assets; and
  - South African Construction and Property sectors;
- Providing strategic direction on the integration of Public Works priorities; and
- Contributing to the National goals of job creation and poverty alleviation through Public Works Programmes.

#### Values

The Department's values align with the values espoused in the Constitution. The core values that underpin the culture of the Department are:

- **Innovation:** by tirelessly seeking opportunities for service delivery improvement by thinking without restraint and unconfined by old, non-functional, or limiting structures, rules, or practices.

- **Integrity:** by consistently honouring our commitments, upholding ethical, honest behaviour and transparent communication.
- **Motivation:** by ensuring our best efforts and actions toward the realisation of our organisational goals.
- **Professionalism:** by treating our clients with respect and delivering, reliably, against expectations.
- **Accountability:** by discharging our duties in a responsible manner in compliance with the relevant legislative prescripts.
- **Results-orientated:** by knowing what results are important and focusing resources to achieve them.
- **Teamwork:** by respecting our diversity while sharing a common purpose and working in cooperation with each other.

#### Strategic outcome-orientated goals

In order to execute its mandate, the Department has identified five strategic outcome-oriented goals that define its direct service delivery responsibilities. These goals are to:

- i. Transform the Construction and Property Sectors through the development of policy and legislative prescripts;
- ii. Provide oversight of the public works sector;
- iii. To provide an oversight role in the implementation of Public Employment Programmes (PEPs) through Expanded Public Works Programme (EPWP) standardised frameworks.
- iv. Oversee the efficient delivery of identified services to Prestige Clients; and
- v. Support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.
- vi. To build State capacity in the Built Environment Professions



### 2.2.1 Programme Performance

The Department (Main Vote) has five programmes and the performance of these programmes is depicted in the tables below

**Table 2.5: Performance Programme and its purpose**

Programme	Purpose
<b>Programme 1: Administration</b>	Provide strategic leadership management and support services to the Department
<b>Programme 2: Intergovernmental Coordination</b>	Provide sound sectoral intergovernmental relations and strategic partnerships. Coordinate with Provinces on immovable asset register, construction and property management, the implementation of Government Immovable Asset Management Act (2007).and the reporting on performance information within the public works sector
<b>Programme 3: Expanded Public Works Programme</b>	Coordinate the implementation of the expanded public works programme which aims to create work opportunities and provide training for unskilled, marginalised and unemployed people in South Africa.
<b>Programme 4: Property and Construction Industry Policy Regulation</b>	Promote the growth and transformation of the construction and property industries. Promote a standardised approach and best practice in construction and immovable asset management in the public sector.
<b>Programme 5: Prestige Policy</b>	Provide norms and standards for the prestige accommodation portfolio and meet the protocol responsibilities for State functions.

Main Vote Programmes Strategic Objectives					
Strategic Objectives	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Programme 1: Administration</b>					
To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.	Average score of 2.9 (measured by an index score) for Management practices	3.8 index score for management practice	2.9 index score for management practices	Target Not Achieved	There were changes in the number of standards from 140 to 88. The initial target was based on the 140 standards. The changes in the number of standards affected the calculations. It should however be noted that with the changes in the standards the performance has remained relatively constant between the two MPAT cycles
<b>Programme 2: Intergovernmental Coordination (IGC)</b>					
To provide oversight of the public works sector;	11 Intergovernmental Forums convened for oversight of the public works sector	2 Policy Frameworks developed for the Public Works Sector (Maintenance Framework work; institutional Framework on small Harbours)	Three (3) Policy Frameworks developed for the Public Works Sector.	Target Achieved	-
<b>Programme 2: Intergovernmental Coordination</b>					
To build State capacity in the Built Environment Professions	1 542 beneficiaries participating in the DPW skills development programme Young Professionals = 54 Artisans Trainees = 108 Interns = 525 Learnerships = 690 Bursary Holders = 164 Management Trainees = 1	1 075 beneficiaries participating in the DPW skills development programmes; Young professional = 104 Interns = 199 Learnerships = 396 Management trainees = 43 Programme Artisans = 100 Bursary Programme = 233	1 680 Beneficiaries: Internships = 536 Artisans = 308 Learnerships = 181 Skills Programme = 250 Young Professionals = 169 Management Trainees = 13 Bursary Holders = 136 Schools Programme = 87 <b>SUCCESS:</b> Cuban Technical Advisors = 37 Trade Test Obtained = 123 Bursary Holders completed qualifications = 31 Young Professionals Obtained Pr Status = 6 Matric awarded bursaries = 25	Target Over Achieved 605 additional beneficiaries	The Department secured funding which resulted in the additional appointment of Candidates; and secured funding from the National Skills Fund for additional candidates.

Main Vote Programmes Strategic Objectives				
Strategic Objectives	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18
<b>Programme 3: EPWP</b>				
To provide an oversight role in the implementation of Public Employment Programmes (PEPs) through Expanded Public Works Programme (EPWP) standardised frameworks	No Framework on sector convergence approved (Recruitment Guidelines of EPWP Participants)	1 framework on sector convergence approved	0 Framework approved (SoP for EPWP audit)	Target Not Achieved Conducted additional consultation on SoP in the fourth quarter.
<b>Programme 4: Property and Construction Industry Policy and Research</b>				
To transform the Construction and Property Sectors through the development of policy and legislative prescripts;	Draft Public Works White Paper has not yet been developed and could therefore not be gazetted	Draft Public Works White Paper gazetted for public comments	A policy discussion document developed for internal stakeholder consultation to inform the development of the Draft Public Works White Paper to be gazetted for public comments	Target Not Achieved Procurement strategies to secure a service provider did not yield favourable results leading to a 2 year delay. This necessitated a refocus on insourcing capacity. Notwithstanding the refocus, the 2 year behind schedule has had ripple effect on the achievement of the set 5 year target
<b>Programme 5: Prestige Policy</b>				
To oversee the efficient delivery of identified services to Prestige Clients	7 736 out of 15 657 requests were completed within 20 working days	15 working days taken to resolve mechanical breakdown after logging of complaint	<b>Pretoria</b> 440 complaints out of 617 received were completed within 15 working days <b>Cape Town</b> Residences and PV: 2.8 days Offices: 7.9 days	Target Not Achieved (Pretoria) In respect of Pretoria, 177 complaints were not resolved within 15 working days Deviation, in the main due to site access challenges (in cases where the client was not available) and in some instances, delays in procurement of parts due to non-availability locally.

# PERFORMANCE INFORMATION BY PROGRAMME

Programme 1: Administration					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Strategic Objective : To improve governance processes within the Department and PMTE</b>					
Change in the index score for management practices	Average score of <b>2.9</b> (measured by an index score) for Management practices	3.8 index score for management practice	2.9 index score for management practices	Target Not Achieved	There were changes in the number of standards from 140 to 88. The initial target was based on the 140 standards. The changes in the number of standards affected the calculations. It should however be noted that with the changes in the standards the performance has remained relatively constant between the two MPAT cycles
<b>Strategic Objective: To combat fraud and corruption within the Department and PMTE</b>					
Percentage of Investigations instituted within 30 days of validated reported allegations	100% Investigations instituted within 30 days of validated reported allegations	100% Investigations instituted within 30 days of validated reported allegations	(24 of 24) 100% investigations instituted within 30 days of validated reported allegations	Target Achieved	-
Number of interventions recommended for mitigation of fraud risk within DPW and PMTE	Two interventions recommended for mitigation of fraud risk within DPW and PMTE	4 interventions recommended for mitigation of fraud risk within DPW and PMTE	6 interventions recommended for mitigation of fraud risk within DPW and PMTE	Target Over Achieved	2 additional interventions were recommended due to high number fraud risk areas identified

Programme 1: Administration					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Sub-Programme: Finance and Supply Chain</b>					
<b>Strategic Objective: To provide a compliant internal control, financial and supply chain management services</b>					
Percentage of reduction of the irregular expenditure baseline	55% (R203 177 799,06 Million) reduction of the irregular expenditure baseline (R368 039 000)	80% reduction of the irregular expenditure baseline	11%	Target Not Achieved	The baseline decreased by 11% against the planned annual target of 80%. The deviation was caused by the investigations that were initiated during the year but could not be finalised by year end due to supporting documents not provided timeously by responsible units. Some of the transactions being investigated date as far back as 2008/09 financial year, and retrieving the supporting documents has been a challenge. Some of the transactions being investigated relate to the period when the Department was beset of negative audit outcomes with limitation of scope contributing largely to the negative outcome. A total of 90% of the baseline was investigated and not be concluded. The timeous filling of vacant positions has further contributed to the target being missed.
Percentage of compliant invoices paid within 30 days	90% of compliant invoices paid within 30 days	100% compliant invoices paid within 30 days	93% of complaint invoices were settled within 30 working days	Target Not Achieved	Invoices in the process of verification takes longer especially for Maintenance and Construction Projects. Increase management oversight over outstanding invoices.

<b>Programme 1: Administration</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2016/17</b>	<b>Planned Annual Target 2017/18</b>	<b>Actual Achievement 2017/18</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2017/18</b>	<b>Comments on Deviations</b>
Percentage of bids awarded within 56 working days of closure of tender	49% of bids awarded within 56 working days of closure of tender advertisement	65% of bids awarded within 56 working days of closure of tender advertisement	54% A total of 14 bids out of 26 were awarded within 56 days of tender advertisement closure	Target Not Achieved	Implementation of Preferential Procurement Regulations (PPR) that has added more steps in the bid process that were not factored in the conceptualization of the target.
Percentage of quotations awarded within 30 days from requisition date	83% of quotations awarded within 30 days from requisition date	88% of quotations awarded within 30 days from requisition date	86% - 273 out of 318 quotations awarded within 30 days	Target Achieved	Insufficient Market Response, despite multiple invitations of 30 prospective service providers per RFQ.
<b>Sub-Programme: Corporate Services</b>					
<b>Strategic Objective: To facilitate Organisational transformation through effective performance management</b>					
Percentage of funded prioritized vacancies filled within 6 months from the date of advertisement	69% (94 of 137) positions filled within 4 months from date of advertisement as per approved Recruitment Plan. An additional 25 positions advertised in 2015/16 financial year were filled during period under review	100% funded prioritized vacancies filled within 6 months from the date of advertisement	100% positions filled within 6 months from date of advertising (82 adverts - 109 positions filled).	Target Achieved	-
Number of property management modules implemented	The 2 modules planned for implementation have been achieved with all users trained at Head Office and Regional Office. Additional Modules achieved include GIS integration, Facilities Management call center and Movable assets	1 module implemented for PMTE (Infrastructure Management)	0 Module implemented for PMTE (Infrastructure Management) 3 Modules (Immovable Asset Register, Movable Asset Register and FM unscheduled maintenance) implemented in 4 regional offices	Target Not achieved	Due to changes in the organization affecting the finalization of user requirements 0 infrastructure management module for PMTE, however 3 new unplanned additional modules achieved
ERP system developed for the public works sector	New indicator	Assessment of current ERP across the sector	Assessment report for the current ERPs across the sector	Target Achieved	-

<b>Programme 1: Administration</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2016/17</b>	<b>Planned Annual Target 2017/18</b>	<b>Actual Achievement 2017/18</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2017/18</b>	<b>Comments on Deviations</b>
Percentage of reported fraud and corruption misconduct cases subjected to disciplinary processes	<p>100% (7 of 7) reported fraud and corruption misconduct cases subjected to disciplinary processes</p> <ul style="list-style-type: none"> <li>4 finalised</li> <li>3 pending finalisation of disciplinary hearings</li> </ul>	100% reported fraud and corruption misconduct cases subjected to disciplinary processes	<p>(100% of reported cases of fraud and corruption cases subjected to disciplinary processes)</p> <ul style="list-style-type: none"> <li>Total of 8 cases of fraud and corruption addressed and subjected to disciplinary processes</li> <li>Status of cases: <ul style="list-style-type: none"> <li>4 Finalised (two dismissal and one suspension without pay for period of two months and one resigned before conclusion of the hearing)</li> <li>4 pending (one pending chairperson report, one approval of charges, 1 pending court proceedings and one pending disciplinary hearing in progress)</li> </ul> </li> </ul>	Target Achieved	-
Percentage of default judgments against the Department prevented	98.88% of default judgments against the Department prevented	100% default judgments against the Department prevented	100% default judgments against the Department prevented	Target Achieved	-



Programme 2: Intergovernmental Coordination					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Strategic Objective :To ensure integrated planning and coordination of concurrent functions</b>					
Number of performance review reports for the Sector Programme of Action presented to MinMec	New indicator	2 performance review reports for the 2017/18 Sector Programme of Action presented to MinMec	2 performance review reports for the 2017/18 Sector Programme of Action presented to MinMec	Target Achieved	-
Number of agreements signed for joint service delivery with Provinces and Municipalities	10 agreements signed for joint service delivery with Provinces and Municipalities	20 agreements signed for joint service delivery with Provinces and Municipalities	12 Agreements signed for joint service delivery with Provinces and Municipalities	Target Not Achieved	The target was not met due to inherently protracted consultation and/ negotiation processes. Furthermore, there are still challenges and gaps in coordination in finalising agreements with IGR partners. Furthermore, it was envisaged that an MOU's would be signed with Municipality in Limpopo Re: Bailey Bridges but the Province said they would manage the relevant Municipalities directly and therefore it was no longer necessary for DPW to enter into formal agreement with them.
Number of reviews conducted on the intergovernmental governance structures	Two (2) survey reviews conducted	2 reviews conducted on the intergovernmental governance structures	2 reviews conducted on the intergovernmental governance structures	Target Achieved	-
Number of Policy Frameworks developed for the Public Works Sector	New Indicator	2 Policy Frameworks developed for the Public Works Sector (Maintenance Framework work; institutional Framework on small Harbours)	Three (3) Policy Frameworks developed for the Public Works Sector.	Target Over Achieved	One additional policy framework developed for the Public Works Sector

Programme 2: Intergovernmental Coordination					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Strategic objective: To restore the skills pipeline in the built environment</b>					
Number of beneficiaries participating in DPW skills development programme	1542 beneficiaries participating in the DPW skills development programme Young Professionals = 54 Artisans Trainees = 108 Interns = 525 Learnerships = 690 Bursary Holders = 164 Management Trainees = 1	1 075 beneficiaries participating in the DPW skills development programmes; Young professional = 104 Interns = 199 Learnerships = 396 Management trainees = 43 Programme Artisans = 100 Bursary Programme = 233	1 680 Beneficiaries: Internships = 536 Artisans = 308 Learnerships = 181 Skills Programme = 250 Young Professionals = 169 Management Trainees = 13 Bursary Holders = 136 Schools Programme - 87 <b>SUCCESSES:</b> Cuban Technical Advisors = 37 Trade Test Obtained = 123 Bursary Holders completed qualifications = 31 Young Professionals Obtained Pr Status = 6 Matric awarded bursaries = 25	Target Over Achieved 605 additional beneficiaries	The Department secured funding which resulted in the additional appointment of Candidates; and secured funding from the National Skills Fund for additional candidates.

Programme 3: Expanded Public Works Programme					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Strategic Objective :To monitor evaluate the implementation of PEPs within the EPWP</b>					
Number of work opportunities reported in the EPWP-RS by public bodies	Indicator not initially reported on the previous financial year	1 406 736 work opportunities reported in the EPWP-RS by public bodies	900 234 WO reported in the EPWP-RS by public bodies. (Cumulative)	<p>Target Not Achieved</p> <p>1) Non-reporting and under-reporting of work opportunities created through own funding by public bodies. Some key programmes such as the Community Work Programme are not reporting optimally in the EPWP Reporting System.</p> <p>2) Many public bodies don't incorporate EPWP principles during their planning and budget processes. Hence they are not meeting EPWP targets.</p> <p>3) Delays by reporting bodies to capture the data on the EPWP Reporting System (EPWP-RS) before the quarter ends due to lack of capacity to collect required documentation for reporting.</p> <p>4) Poor record-keeping by public bodies, leading to an inability to comply with reporting requirements. This leads to audit findings by the Auditor-General.</p> <p>5) Lack of adequate technical capacity in public bodies especially at local government sphere</p>	<p>1) Under-performing public and reporting bodies are identified and engaged to resolve the problems in reporting.</p> <p>2) Technical support is being provided to public bodies to identify, design, implement and report work opportunities on projects.</p> <p>3) Engagement with Political and Administrative leadership of public bodies to ensure that there is support and accountability for implementation of EPWP.</p>

Programme 3: Expanded Public Works Programme					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Percentage EPWP participation among designated groups (women, youth and persons with disability) reported on the EPWP-RS by public bodies	Indicator not initially reported on the previous financial year	55% youth 55% women 2% persons with disabilities	43.8% youth 66.5% women 1.3% persons with disabilities	<p>Target Not Achieved (Y&amp;P-WD)</p> <p>1) Non-reporting and under-reporting of work opportunities created through own funding by public bodies. Some key programmes such as the Community Work Programme are not reporting optimally in the EPWP Reporting System.</p> <p>2) Many public bodies don't incorporate EPWP principles during their planning and budget processes. Hence they are not meeting EPWP targets.</p> <p>3) Delays by reporting bodies to capture the data on the EPWP Reporting System (EPWP-RS) before the quarter ends due to lack of capacity to collect required documentation for reporting.</p> <p>4) Poor record-keeping by public bodies, leading to an inability to comply with reporting requirements. This leads to audit findings by the Auditor-General.</p> <p>5) Lack of adequate technical capacity in public bodies especially at local government</p>	<p>1) Under-performing public and reporting bodies are identified and engaged to resolve the problems in reporting.</p> <p>2) Technical support is being provided to public bodies to identify, design, implement and report work opportunities on projects.</p> <p>3) Engagement with Political and Administrative leadership of public bodies to ensure that there is support and accountability for implementation of EPWP</p>

Programme 3: Expanded Public Works Programme					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
Number of data quality assessment reports produced	2 data quality assessment reports produced	2 data quality assessment reports produced	2 Data quality reports produced (Cumulative)	Target Achieved	-
<b>Strategic objective: To support NPOs to implement PEPs within the EPWP in the non-state sector</b>					
Number of contracted Non Profit Organizations (NPOs) to implement the Non State Sector (NSS); NPO programme supported	386 NPOs contracted for the implementation of the NSS; NPOs programme	350 contracted Non Profit Organizations (NPOs) supported	354 contracted NPOs supported. (Cumulative)	Target Over Achieved	Over achievement due to replacement of contracted NPOs.
<b>Strategic objective: To support public bodies to implement PEPs within the EPWP in the infrastructure, social, environment and culture sectors</b>					
Number of public bodies provided with technical support	297 public bodies provided with technical support	290 public bodies provided with technical support	297 Public bodies provided with technical support (Cumulative)	Target Over Achieved	Additional technical support provided due to requests from public bodies.
<b>Strategic objective: To provide strategic guidance on sector convergence through the development of an implementation framework</b>					
Number of frameworks on sector convergence approved	No Framework on sector convergence approved (Recruitment Guidelines of EPWP Participants)	1 framework on sector convergence approved	0 Framework approved (SoP for EPWP audit)	Target Not Achieved Conducted additional consultation on SoP in the fourth quarter.	SoP is finalised and is pending approval.

Programme 4: Property and Construction Industry Policy and Research					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective :To research and develop policies and legislative prescripts for the construction and property sector</b>					
Public Works White paper developed	Draft Public Works White Paper has not yet been developed and could therefore not be gazetted	Draft Public Works White Paper gazetted for public comments	A policy discussion document developed for internal stakeholder consultation to inform the development of the Draft Public Works White Paper to be gazetted for public comments	Target Not Achieved	Procurement strategies to secure a service provider did not yield favourable results leading to a 2 year delay. This necessitated a refocus on insourcing capacity. Notwithstanding the refocus, the 2 year behind schedule has had ripple effect on the achievement of the set 5 year target
Amended Construction Industry Development board (cidb) Act	Draft cidb Amendment Bill developed towards consultation with stakeholders	Stakeholders consultation on the draft cidb Amendment Bill	Stakeholders' consultation on draft cidb Amendment Bill took place	Target achieved	-
Amended Council for the Built Environment (CBE) Act	Draft CBE Amendment Bill developed towards consultation with stakeholders	Stakeholders consultation on the draft CBE Amendment Bill	Stakeholders' consultation on draft CBE Amendment Bill took place	Target Achieved	-

Programme 5: Prestige Policy					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on Deviations
<b>Strategic Objective : To improve the delivery of services to Prestige clients</b>					
Number of prestige policies approved	No policy has been developed	4 prestige policies approved	No prestige policies approved	Target Not Achieved	The 4 Policies are still in a draft form for further engagements
Average number of working days taken to resolve mechanical breakdown after logging of complaint	7 736 out of 15 657 requests were completed within 20 working days	15 working days taken to resolve mechanical breakdown after logging of complaint	<b>Pretoria</b> 440 complaints out of 617 received were completed within 15 working days  <b>Cape Town</b> Residences and PV: 2.8 days Offices: 7.9 days	Target Not Achieved (Pretoria)	In respect of Pretoria, 177 complaints were not resolved within 15 working days  Deviation, in the main due to site access challenges (in cases where the client was not available) and in some instances, delays in procurement of parts due to non-availability locally.
Average number of working days taken to resolve emergency breakdowns after logging a complaint	6 372 out of 14 354 requests were completed within four working days	2 working days taken to resolve emergency breakdown's after logging a complaint	<b>Pretoria</b> 337 complaints out of 497 were completed within 2 working days  <b>Cape Town</b> Residences and PV: 1.4 days Offices: 3.9 days	Target Not Achieved (Pretoria)	In respect of Pretoria, 160 complaints were not resolved within 2 working days  Deviation, in the main due to site access challenges (in cases where the client was not available) and in some instances, delays in procurement of parts due to non-availability locally.
Number of planned state events supported with movable structures	13 planned state events supported with movable structures	8 planned state events supported with movable structures	8 planned state events supported with movable infrastructure	Target Achieved	-
Average number of working days taken to provide furniture to prestige clients	New indicator	60 days to provide movable assets (office and residential) to prestige clients from receipt of request	<b>Pretoria</b> 15 working days.  <b>Cape Town</b> 6 out of 18 furniture provision requests were carried out within 60 days.	Target Not Achieved (on provision of furniture)  Some appliances were provided within 15 working days on average	No furniture was provided (Pretoria and Cape Town) except some appliances as the execution of the main Contract for provision of movable assets was temporarily halted due to internal challenges to its execution.



**Table 2.6: Expenditure Analysis per Programme - DPW**

	2017/18				2016/17		
	Final Appropriation	Actual Expenditure	Variance	Expenditure as %	Final Appropriation	Actual Expenditure	Expenditure as %
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
<b>Administration</b>	447 741	447 607	134	100.0%	516 006	450 463	87.3%
<b>Intergovernmental Coordination</b>	48 230	45 419	2 811	94.2%	28 639	16 477	57.5%
<b>Expanded Public Works Programme</b>	2 402 957	2 367 805	35 152	98.5%	2 319 500	2 301 446	99.2%
<b>Property and Construction Industry Policy and Research</b>	4 001 406	3 986 848	14 558	99.6%	3 553 089	3 547 048	99.8%
<b>Prestige Policy</b>	84 796	79 608	5 188	93.9%	95 565	87 931	92.0%
<b>Totals</b>	<b>6 985 130</b>	<b>6 927 287</b>	<b>57 843</b>	<b>99.2%</b>	<b>6 512 799</b>	<b>6 403 365</b>	<b>98.3%</b>

The Departmental spending for the period under review is R6.927 billion which represents 99.2% of the adjusted budget of R6.985 billion. Under spending of R58 million mainly relates to compensation of employees, goods and services, transfers and subsidies and machinery and equipment. Details of underspending per programme and economic classification is discussed below:

### **Programme 2: Intergovernmental Coordination**

The under spending of R2.8 million in Programme 2 relate to:

- Compensation of employees under spending of R1.3 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions.
- Goods services under spending of R907 000 is mainly due to expenditure planned to support the development of plans and processes for the newly established branch (Professional Services), however, due to the delay in the implementation of the matching and placing the funds could not be spent as initially planned.
- Transfers and subsidies underspending of R171 000 is mainly due low spending on household for exit packages.
- Machinery and equipment under spending of R390 000 is due to a delay in the planned acquisition of assets resulting from unfilled vacant positions.

### **Programme 3: Expanded Public Works Programme**

The under spending of R35 million in Programme 3 relate to:

- Compensation of employees under spending of R7 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and

filling of vacant positions. Goods services under spending of R28 million is mainly due to a delay in the implementation of infrastructure, social, environment and culture projects. The Environment & Culture sector had a commitment budget for Buffalo City Coastal project to be implemented by Buffalo City Coastal project as per the signed MOA between the City and the Department, however, the city failed to comply with the MOA resulting in the delayed spending. The delay in allocating projects to contractors to procure services of mentors and training providers for implementation of Vuk'uphile.

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

The under spending of R15 million in Programme 4 relate to:

- Compensation of employees under spending of R5 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions.
- Goods services under spending of R10 million is mainly due to a delay in entering into new agreements with the Property and Construction Charter institutions which resulted in the planned payment to both Property and Construction Charter Councils not being paid in the current financial year. The new agreements will be entered into in the 2018/19 financial year and the payments will be aligned to the councils' financial year.

### **Programme 5: Prestige Policy**

Under spending of R5 million in Programme 5 for goods and services is mainly due to the planned expenditure that could not be incurred as the appointed service provider was placed on hold for contractual reasons.

# PART B: PROPERTY MANAGEMENT TRADING ENTITY (PMTE)

## 2.3 Performance Information of the Property Management Trading Entity

### Vision

Convenient access to dignified public services.

### Mission

Effective management of State's immovable assets to contribute towards economic and social development and transformation of the built environment.

### Values

We align our values with the Constitution, as underpinned by the following culture drivers:

- **Innovation:** by tirelessly seeking opportunities for service delivery improvement by thinking freely and not bound by old, non-functional, or limiting structures, rules and practices.

- **Integrity:** by consistently honouring our commitments, upholding ethical, honest behaviour through transparent communication.
- **Motivation:** by having an attitude that brings out our best efforts and actions toward the realisation of organisational goals.
- **Professionalism:** by treating our clients with respect and reliably delivering against expectations.
- **Accountability:** by discharging our duties in a responsible manner in compliance with the relevant laws.
- **Results-orientated:** by knowing what results are important and focusing resources to achieve them.
- **Teamwork:** by respecting diversity while sharing a common purpose and working together in cooperation with each other.

### 2.3.1 Programme Performance

The Property Management Trading Entity Department has six programmes and the performance of these programmes is depicted in the tables below.

**Table 2.7: Performance Programme and its purpose**

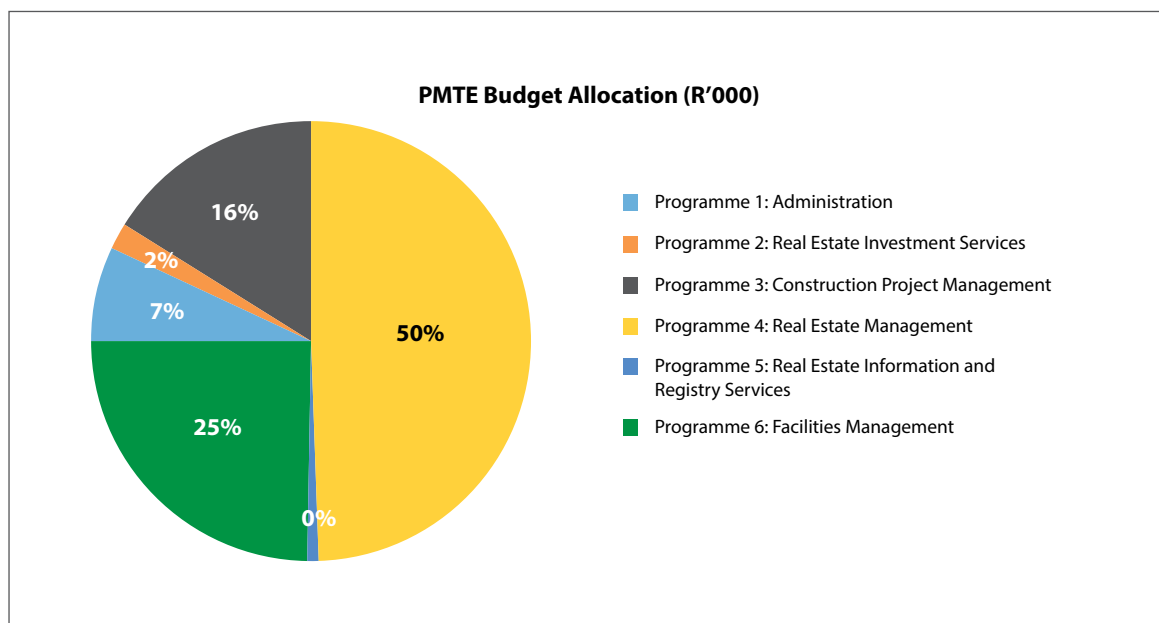
Programme	Purpose
<b>Programme 1: Administration</b>	To provide leadership, strategic management, governance and administrative support to the Property Management Trading Entity (PMTE).
<b>Programme 2: Real Estate Investment Services</b>	To achieve an efficient and competitive Real Estate Portfolio for the State through effective planning, analysis and informed investments.
<b>Programme 3: Construction Project Management</b>	To provide effective and efficient delivery of accommodation needs for DPW and User Departments through construction and other infrastructure improvement programmes
<b>Programme 4: Real Estate Management Services</b>	To provide and manage Real Estate Portfolio in support of Government social, economic, functional and political objectives.
<b>Programme 5: Real Estate Information and Registry Services</b>	To develop and manage a complete, accurate and compliant Immoveable Asset Register to meet service delivery objectives for the State, Department and Property Management Trading Entity business requirements.
<b>Programme 6: Facilities Management</b>	To ensure that immoveable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic environment while contributing to job creation, skills development and poverty alleviation.

### 2.3.2 Overview of performance of the PMTE

The PMTE has its mandate to effectively manage the State's immovable assets and contribute towards economic and social development and transformation of the built environment. Its' emphasis is on, inter alia, managing relations between the Department and client departments, planning and precinct development, construction project management, management of immovable asset register and facilities management. Programme 1 focuses largely on management leadership, operations support management, finance and accounting management and Supply Chain Management (SCM). Programme 2 on the other hand include User Demand Management, Planning and Precinct Development and Investment Management with the bulk of the expenditure geared towards the appointment of various specialists to

assist in rebuilding the PMTE technical and professional capacity. The Construction Project Management programme demonstrated the functions of design and implementation of construction programmes for all user departments. Further, it prioritised the completion infrastructure projects within agreed time and budget, approval of infrastructure designs for tender and creating work opportunities through the infrastructure programme. Programme 4 focused on the provision and management functional and user friendly accommodation for all client departments with the bulk of the expenditure on operating leases, property rates and municipal services. Programme 5's full responsibility is to implement the Immoveable Asset Register (IAR) and lastly programme 6 with a core mandate of implementing Scheduled Maintenance Programmes and manage and minimize unscheduled maintenance incidents and to reduce the consumption of resources.

**Figure 2.2 Programme Structure and budget allocation of the PMTE**



#### Service Delivery Improvement Plan for the PMTE

**Table 2.8: Main services and standards**

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
<b>CUSTOMER / CLIENT RELATIONS</b>				
<b>Active management of client relations (DP1: Portfolio Management, DP1-1: Infrastructure Planning, U-AMP, and Gate 1(a)).</b>	Client Departments	Client Satisfaction Survey Template completed.	10 client satisfaction templates completed	Target not achieved The first set of templates were completed in 2015/16. Additional external capacity is required to complete survey templates
<b>Effective contract management</b>	Client Departments	-	117 service level agreements between client and DPW	Target not achieved 36 signed SLAs are in place and 17 SLAs are still to be signed  In the absence of Standard Delivery Standards client departments have not signed outstanding SLAs. SLAs are therefore being reviewed to be aligned to the operationalisation of PMTE
<b>Establish standards to improve communication</b>	Client Departments	1	8 client meetings attended	Target achieved 100 meetings per annum convened for client departments
<b>Establish standards to improve communication</b>	Client Departments	-	16 portfolio reports issued to clients	Target achieved 120 portfolio reports issued to client departments
<b>Effective contract management</b>	Client Departments	None	52 timeous commencements of projects	Target achieved. 76 projects commenced on time
<b>Establish standards to improve communication</b>	Client Departments	-	16 site meetings attended by clients	Target achieved. 527 site meetings were attended by client departments during the 2017/18 financial year for the 300 infrastructure projects under construction (Head Office and Regional Offices).

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
<b>ACCOMMODATION PROVISION</b>				
<b>Provide accommodation that adheres to clients' needs</b>	Client Departments	33% new leases adhering to clients' needs	90% new leases adhering to clients' needs	Target achieved 100% (10) Leases procured adhere to client's needs
<b>Effective contract management</b>	Client Departments	20% leases concluded prior to expiry	50% leases concluded prior to expiry	Target not achieved 248 Leases expired. No leases were renewed before expiry.
<b>Provide accommodation that adheres to functional use specifications (e.g. police station) - norms &amp; standards</b>	Client Departments	-	4 projects delivered that conform to approved norms and standards	Target achieved 10 Leases procured during the year under review that conform to approved norms and standards
<b>ACCOMMODATION IMPROVEMENT</b>				
<b>Establish standards to improve communication</b>	Client Departments	-	10% unscheduled calls responded to within targeted timeframes	Target not achieved. 5% unscheduled calls responded to within targeted timeframes <ul style="list-style-type: none"> <li>50 915 unscheduled calls were reported</li> <li>2 347 unscheduled calls were responded to within targeted timeframes</li> </ul> <p>The under achievement is partly ascribed to the fact that the historic Worx4u system was not fully updated with all relevant data that would provide an accurate measurement. This may be attributed to the transition from the unreliable Worx4U to the new Archibus system.</p>
<b>Waste Water Treatment (WWTW)</b>	Client Departments	40 facilities that are assessed for Green Drop Compliance	42 facilities that are assessed for Green Drop Compliance	Target achieved 82 facilities assessed departmentally for Green Drop Compliance
<b>Water Treatment Works (WTW)</b>	Client Departments	-	51 facilities that are assessed for Blue Drop Compliance.	Target achieved 51 facilities assessed departmentally for Blue Drop Compliance

Main services	Beneficiaries	Current/actual standard of service	Desired standard of service	Actual achievement
<b>Maintenance Plans for Priority Facilities</b>	Client Departments	-	5% prioritised facilities with Total Facilities Maintenance (TFM) Programs. (cumulative)	<p>Target not achieved. Condition assessments completed to inform the scope and budget for TFM programmes for 15 facilities that comprise the 5% target.</p> <p>The process of piloting TFM took longer than anticipated owing to the necessary internal benchmarking with existing TFM contracts and industry consultations. Further delays were experienced due to the need to align technical specifications with the GIA - MA requirements.</p> <p>A panel of service providers is being procured for 36 months to deliver the platform that enables TFM implementation on demand.</p>



**Table 2.9: Batho Pele arrangements with beneficiaries**

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Consultation with service beneficiaries takes place through</b>		
<b>1. Client Liaison Forum Meetings</b> <b>2. Correspondence such as e-mail, formal letters</b> <b>3. Communication also takes place telephonically</b> <b>4. Monthly portfolio reports</b>	1. Established Joint Task Teams to more rigorous interaction with client departments 2. Client Liaison Forum Meetings 3. Correspondence such as e-mail, formal letters 4. Communication also takes place telephonically 5. Monthly portfolio reports	Standard achieved
<b>Participation in portfolio meetings with client departments through User Demand Management to ensure that clients requirements are well understood and executed accordingly</b>	1. Client departments participate in Bid Specification Committees for leased accommodation 2. Client departments participate in evaluation of bids received by viewing buildings on offer 3. Client departments are consulted for budget confirmation 4. Client departments receive project feedback during site meetings.	Standard achieved
<b>Consultation with key stakeholders at regional level (through Regional Managers and Regional Water Management personnel).</b>	Formation of Blue and Green Drop Implementation task team with key stakeholders.	Extensive consultation has been done with Regional Offices and interim task team established to orientate all stakeholders on Blue and Green drop requirements.
<b>Information on services provided is shared through</b>		
<b>Strategic Plan, Annual Performance Plans and Annual Reports</b>	1. Monthly portfolio reports 2. Written communications (DG-DG Letters) 3. Effective contract management - Information communicated to client departments timeously to allow sufficient time for client departments to respond to: <ul style="list-style-type: none"> <li>• Lease expiry</li> <li>• Budget requirements</li> <li>• Occupational Health &amp; Safety requirements</li> <li>• Maintenance requirements</li> </ul>	Standard achieved
<b>Information on water services information is updated and shared with all key stakeholders.</b>	Establish a virtual information sharing platform for easier access by Regional Offices, client departments and the public.	Data was disseminated to Regional Offices with the latest information from Head Office.
<b>Internal Operational Plans, Annual Performance Plans, Annual Reports, Ministerial public address.</b>	Availability of information on various websites, social media, Government Communication media.	Adhoc communication with client departments when required or on a project specific basis.

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Service beneficiaries can access services through Services are accessible at:</b> <b>1. DPW Head Office Pretoria.</b> <b>2. 11 DPW Regional Offices in the various provinces.</b>	1. Client departments have access to services at Head Office and the 11 Regional Offices 2. Establish a virtual information sharing platform for easier access by Regional Offices, client departments and the public.	1. Client departments have access to services at Head Office and the 11 Regional Offices 2. Installation of telemetry services finalised on three pilot projects that will provide clients departments and PMTE proactive status and performance monitoring on key components of facilities.
<b>Openness and transparency is achieved through Lease cost curtailment measures implemented</b>	Involvement of client departments and National Treasury during the procurement of accommodation. 1. Client departments form part of the Bid Specification Committee to manage that specifications are in line with their needs. 2. National Treasury form part of Lease Negotiation Teams in order to manage proper, fair and economical transactions. All Procurement Plans to be published on the website in accordance with National Treasury requirements	Standard achieved
<b>Project announcements were extensively done through workshops at the national and regional level from project inception to project close out.</b>	Establish a virtual information sharing system for easier access by Regional Offices, client departments and the public.	Open platforms were created for all key stakeholders to engage on Green and Blue Drop Water Compliance.
<b>2010 Maintenance Guidelines in place</b>	Facilities Management to engage with User Demand Management to discuss service standards and associated user charge implications.	Maintenance Guidelines are currently under revision.
<b>Mechanisms in place to ensure redress in service areas</b>		
<b>Client departments communicate through User Demand Management at Head Office and Regions</b>	Project specific complaints and queries are dealt with by Regional Project Managers and Heads of Projects	Site Request Book Complaints and queries resolved at site meetings. BI Laterals with client departments DG-DG Meetings Meeting with client department at EXCO level to ensure redress in service areas
<b>Empowerment of current PMTE skills base</b>	Up-skill of registration with Department of Water and Sanitation	Classification of PMTE water management personnel.
<b>Inputs made to the Property Empowerment Policy which directs the structural transformation of the property sector in order to create an enabling, conducive and equitable environment for black-owned enterprises to economically thrive and continually improve skills and capabilities.</b>	Roll out of TFM and Maintenance Contract opportunities to ensure participation and compliance of procurement process to BBBEE requirements inclusive of employment and training opportunities	Property Management Policy is now in place, SCM procurement prescripts and procedures are being adhered to.

Current/actual arrangements	Desired arrangements	Actual achievements
<b>Value for money</b>		
1. Ensure that all procurement is done in line with market.	1. Leases are awarded (through negotiations or open tender) ensuring that the costs are within market.	Standard achieved
2. National Treasury participation in lease negotiations.	2. Escalation rates are capped at National Treasury rates	
3. Escalation rate are capped at National Treasury rates	3. Expenditure on infrastructure projects and leased accommodation kept in line with baseline allocations	
<b>Outsourcing of water services</b>	Establish internal technical capacity within the PMTE	Internal capacity enhanced to improve compliance to legislation in respect of water services
<b>Legacy call centre system utilised to record incidents logged by clients.</b>	Strengthen management and control of the call centre system to prevent fraud through national call centre system automation.	New call centre module being piloted in all eleven Regional Offices.
<b>Courtesy</b>		
1. Ensuring information sharing with client departments when requested, even outside agreed times	1. Client departments are provided with information requested at agreed times	Standard achieved
2. Ensure implementation of signed Service Level Agreements (SLA's) with client departments.	2. Frontline engagement 3. Sharing of information through monthly reports 4. Troubleshooting on deliverables	
<b>Information sharing with clients when requested.</b>	Establish a virtual information sharing platform for easier access for clients	Engagement of key staff within client departments in relation to planned enhancement of water services.
<b>Interaction with client departments mainly through the National Call Centre and Regional Help desks</b>	Re-training of all call centre agents and staff that are client facing in-order to improve telephone etiquette	Modernising the call centre through introduction of an Archibus module. Retraining all call centre agents has commenced.
<b>Service standards</b>		
1. Ensure adherence to the SLA's as agreed with client departments	1. Adherence to SLA's	SLA are being signed and adhered to. SOP's not yet completed. Currently under development.
2. Ensure the improvement and finalization of Standard Operating Procedures (SOP's) that can be shared with client departments	2. SOP's developed and implemented	
<b>Compliance with Department of Water and Sanitation (DWS) standards</b>	Meet DWS and international standards.	Improved compliance to Blue and Green Drop based on DWS standards.
<b>Maintenance response times are documented in the maintenance guidelines</b>	Facilities Management to engage User Demand Management to discuss service standards and associated user charge implications.	Facilities Management has drafted new categorisation for response times and standard operating procedures to streamline maintenance operations.

**Table 2.10: Service delivery information tools**

Current/actual information tools	Desired information tools	Actual achievements
<b>Information is communicated through</b>		
1. Quarterly Reports	1. Quarterly Reports	Standard Achieved
2. Participation in Portfolio Management Meetings	2. Participation in Portfolio Management Meetings	
3. DG-to-DG Meetings	3. DG-to-DG Meetings	
PMTE Planning Instruments (Strategic Plan, Annual Performance Plan, Annual Report)	To develop key water management and communication tools in line with DWS requirements.	Developed Blue and Green Drop Improvement tools that would feed into the envisaged communication tools (e.g. online portal, quarterly bulletin).
Guidelines & Procedures, Service Level Agreements & Call centre	Approved Maintenance Guidelines, Implement "Mobile App" use integrated to Archibus. Fraud awareness hotline Client Liaison Forums	Standard achieved  Archibus "Call Center Module" now fully rolled out and implemented in all eleven Regional Offices.

**Table 2.11: Complaints mechanism**

Current/actual complaints mechanism	Desired complaints mechanism	Actual achievements
<b>Complaints/ suggestions/ compliments/ queries are addressed through:</b>		
Clients can lodge complaints/ suggestions/ compliments/ queries through formal letters, emails and telephonically	Optimal utilisation of the call centre.	Scheduled progress meetings with both external and internal stakeholders
Help Desk Regional Offices Email / telephone Minister to Minister and DG to DG engagements. Client Liaison Forums Site meetings	Fully integrated ERP (End to End) system such as Archibus enabling complaint reporting, monitoring and response by relevant call centre agents and regional offices.	The PMTE is working toward full automation of Archibus modules being: Facility Management Module (Call Centre, Condition Assessment) Asset Management Module (IAR Componentisation) that supports the Call Center.

### 2.3.3 Organisational Environment (PMTE)

During 2017/18 financial year, the PMTE was able to implement the approved structure and concluded the process of matching and placement of employees from the old to the new organizational structure. This had the effect of appropriate realignment of personnel and ensure that the organizational structure consists of the required skills. Job Evaluation process was embarked on to fast track the process of filling critical vacant areas. A recruitment strategy was followed to source skills that will drive its priorities and mandate. The bias was to capacitate critical areas and stabilize senior management levels.

The Entity also ensured that it sourced technical and professional skills in the various built and engineering disciplines. 14 retired technical professionals were as a consequence recruited. The retired professionals contributed in the development of young technical professional candidate as they were linked with the candidates for mentorship and coaching towards professional registration with the relevant Professional Councils.

The process to professionalize the PMTE benefitted from the initiative of capacitating officials in the property management areas. The Entity entered into agreements with the South African Property Owners Association (SAPOA) for the development and capacitation of these officials in Certificate in Commercial Property Practitioners (CCPP). 289 officials received bursaries for studies in different fields with a bias in Property and Facilities Management.

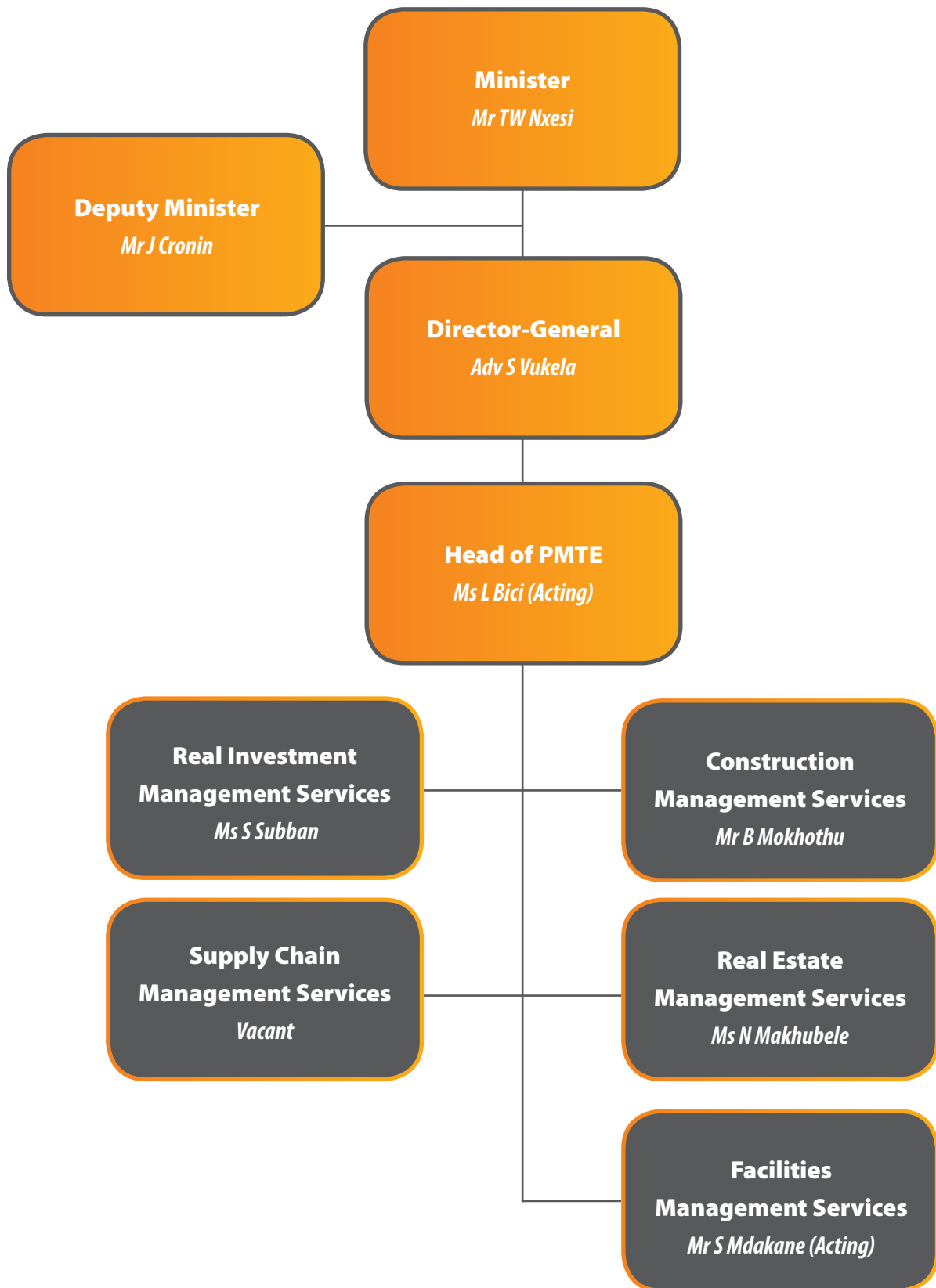
The PMTE was able to successfully implement the Ministerial Public Participation Programme. This led to a positive outcome in the previously negative perceptions about the PMTE to neutral perceptions. The experience of the public interaction has improved because of new communication platforms that are in use, like social media and the revamping of the website.

Similarly, there has been an improvement in the relations and interaction between the Entity and the Media industry as a result of open communication lines between the two and now is less adversarial. Changes were well communicated to all stakeholders, which led to well-informed publics. The PMTE has improved and given a facelift to its website to improve and ensure effective communication. To this end the website was revamped to make it user –friendly.

The Entity is continuously seeking to reduce its litigation workbook and the long outstanding labour relation cases arising from the SIU investigations. The PMTE has adopted an alternative dispute mechanism to reduce litigation and civil cases. As a result a number of cases have been resolved through settlement agreement mutually beneficial to the Entity and the parties concerned, whilst other matters are still being processed through alternative dispute mechanisms. The expansion of this programme is both labour intensive and cost driven, and with availability of budget, it is possible to further increase employment opportunities as part of the insourcing programme.

With a history of disparate systems, the PMTE has successfully embarked on a journey of driving an agenda of seamless integrated technology platforms that brings together various key areas of the business through the Archibus/Sage (ERP) implementation programme. To date the Immovable Asset Register, Movable Asset Register and Facilities Management modules have been implemented and the rest of the modules will be implemented in the new financial year. To improve the network stability and the speed at which systems are accessed, the current phase of the network upgrade resulted in the replacement of the old copper wire network with fibre network technology, and also the upgrade of the bandwidth for some of the offices to a minimum of 4 megabits per second.

## PMTE Organogram



PMTE Programmes Strategic Objectives					
Strategic Objectives	Actual Achievement 2016/17	Planned Annual Target 2016/17	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Programme 1: Administration</b>					
To support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements	Average score of 2.9 (measured by an index score) for Management practices	3.8 index score for management practice	2.9 index score for management practices	Target Not Achieved	There were changes in the number of standards from 140 to 88. The initial target was based on the 140 standards. The changes in the number of standards affected the calculations. It should however be noted that with the changes in the standards the performance has remained relatively constant between the two MPAT cycles
<b>Programme 2: Real Estate Investment Services</b>					
To consolidate user demands that enable planning and budgeting	42 U-AMPs received from user departments	42 U-AMPs received from user departments	42 U-AMPs received	Target Achieved	-
To increase the value of the State's immovable asset portfolio	36% (34 of 95) of disposal requests approved within scheduled timeframe	85% disposal requests processed by 31 March 2018	57% (97/170) disposal requests processed	Target Not Achieved	Request for release of land for human settlements and land reform programmes could not be processed owing to the requirement for further negotiations on basis of land transactions (e.g. payment terms)
To develop accommodation solutions for user departments in collaboration with the relevant spheres of Government	5 concept designs completed for identified user departments	4 concept designs completed for identified user departments	4 concept designs completed for identified user departments	Target Achieved	-



PMTE Programmes Strategic Objectives					
Strategic Objectives	Actual Achievement 2016/17	Planned Annual Target 2016/17	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Programme 3: Construction Project Management</b>					
To meet user departments' accommodation requirements as per the approved Infrastructure Programme Implementation Plan (PIP)	186 infrastructure sites handed over for construction	106 infrastructure projects completed	89	Target Not Achieved	Some client departments such as DCS and confirmed budgets allocation late and less than anticipated expenditure for financial year under review (2017/18) at the start of April 2017. That made it difficult to graduate for some projects to construction stage. Major client departments such as DoJ, DCS and DAC confirmed the budgets allocation late
<b>Programme 4: Real Estate Management Services</b>					
To provide quality accommodation and contribute to the financial sustainability of the PMTE	New indicator	R100 mil savings realized on identified private lease	R12,101,868.40 savings realised on identified leases	Target Not Achieved	Negotiations started in October 2017 and 102 leases were negotiated and concluded. Client approvals are awaited on the negotiated leases
<b>Programme 5: Real Estate Information and Registry Services (REIRS)</b>					
To provide reliable immovable asset information that informs investment decisions and portfolio management	9 Provincial Immovable Asset Registers assessed for compliance	9 Provincial Immovable Asset Registers assessed for compliance	9 provincial immovable asset registers assessed for compliance (FS, LP, KZN, GP, MP, NC, WC, NW & EC)	Target Achieved	-
<b>Programme 6: Facilities Management (FM)</b>					
To ensure optimal performance of the State's immovable asset portfolio	8% unscheduled reported maintenance incidents resolved within agreed timeframes	10% unscheduled reported maintenance incidents resolved within agreed timeframes	5% unscheduled reported maintenance incidents resolved within agreed timeframes	Target Not Achieved	The under achievement is partly ascribed to the fact that the historic Worx4u system was not fully updated with all relevant data that would provide an accurate measurement. This may be attributed to implementing the transition from the unreliable Worx4U to the new Archibus system

Programme 1					
Sub-Programme : Finance and Supply Chain Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective: To provide a compliant internal controls and financial services</b>					
Percentage of compliant invoices settled within 30 days	87% compliant invoices settled within 30 days	100% compliant invoices settled within 30 days	84%	Invoices in the process of verification are not submitted timeously for payment.	Invoices in the process of verification are not submitted timeously for payment.
Number of new revenue generation sources incubated	New indicator	2 newly identified revenue sources incubated	0 newly identified revenue sources incubated	Target Not achieved	The commercial hub to deal with this newly established function could not be established in time to deliver on this target. This function has been transferred to the newly established OFSP programme who will deliver this target in the next financial year. The OFSP has already identified various additional revenue sources and is already in the process of assessing the achievability of each
<b>Strategic Objective: To provide a compliant Supply Chain Management services</b>					
Percentage of bids awarded within 56 workings days of closure of tender advertisement	31% bids awarded within the prescribed timeframes	65% bids awarded within 56 workings days of closure of tender advertisement	16% A total 29 out of 182 bids were awarded within 56 days.	Target not achieved Funds not confirmed by client's conceptualization of the target.	Implementation of Preferential Procurement Regulations (PPR) that has added more steps in the bid process that were not factored in the
Percentage of quotations awarded within 30 working days from requisition date	75% Quotations awarded within 30 days from requisition date	88% quotations awarded within 30 working days from requisition date	73% 4863 out of 6684 quotations awarded within 30 days	Target not achieved	Non-compliant Requisitions, wrong specifications, unplanned requisitions and negative supplier response contributed to the delays.

Programme 1					
Sub-Programme : Finance and Supply Chain Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective: To provide a compliant internal controls and financial services</b>					
Percentage savings for built environment consultants	New indicator	24% savings for built environment consultants	0% savings for built environment consultants	Target not achieved	The evaluation of bids for the establishment of framework agreements is not yet concluded. Adjudication for Architectural Services has been concluded and await final award. Quantity Surveying and Mechanical Engineering Services is at adjudication stage. Electrical, Civil and Structural Engineering Services are on technical evaluation stage. Large quantities of proposals received make it impractical to conclude the award process within the planned timelines. .

Programme 2: Real Estate Investment Services				
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18
Sub-Programme: User Demand Management				
<b>Strategic Objective: To ensure that the user asset management plans are produced in compliance with relevant prescripts</b>				
Number of User Asset Management Plans (U-AMPS) received from user departments	42 U-AMPS received from user departments	42 U-AMPS received from user departments	42 U-AMPS received	Target Achieved
Number of signed off infrastructure worklists	9 signed off infrastructure worklists	10 signed off infrastructure worklists	9 signed off infrastructure work lists	Target Not Achieved DCS did not approve work list
Engaging DCS to obtain approval of work list				
Sub-Programme : Planning and Precinct Development				
<b>Strategic Objective: To direct precinct planning and development for national government in urban and rural areas</b>				
Number of Government Precinct Development plans aligned with identified municipal (urban and rural) integrated Development Plans (IDPs)	2 Government Precinct Development plans aligned with identified municipal (rural & urban) Integrated Development Plans	3 Government Precinct Development plans aligned with identified (rural & urban) municipal Integrated Development Plans (IDPs)	3 Government Precinct Development plans aligned with identified municipal (rural & urban) Integrated Development Plans	Target Achieved
Number of site established for development	3 sites established for development	3 sites established for development	3 sites established for development	Target Achieved
Number of concept designs completed for identified user departments	5 concept designs completed for identified user departments	4 concept designs completed for identified user departments	4 concept designs completed for identified user departments	Target Achieved
Sub-Programme: Real Estate Investment Services				
<b>To inform asset management decisions through optimal investment solutions</b>				
Percentage of feasibility studies completed within scheduled timeframe	82% (230 of 280) of feasibility studies completed within scheduled timeframes	85% feasibility studies completed with schedule timeframe	78% (214/273) Percentage of feasibility studies completed within scheduled timeframes	Target Achieved
				Scale and complexity of some of the feasibility studies resulting in more time spent on these feasibilities.

Programme 2: Real Estate Investment Services					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviation
Percentage of valuations completed within scheduled timeframes	83% (290 of 350) of valuations completed within scheduled time frames	85% valuations completed within scheduled time frames	134% (397/296) valuations completed within scheduled time frames	Target Over Achieved	New requirement during the financial year to undertake a review of proposed rates review for 169 leased -in properties.
<b>To manage the performance of the immovable asset portfolio so as to ensure appropriate investment decisions</b>					
Percentage of responsive disposals requests processed	36% (34 of 95) of disposal requests approved within scheduled timeframe	85% disposal requests processed by 31 March 2018	57% (97/170) disposal requests processed	Target Not Achieved	Request for release of land for human settlements and land reform programmes could not be processed owing to the requirement for further negotiations on basis of land transactions (e.g. payment terms)
Custodian Asset Management Plan (C-AMP) submitted to NT	1 C-AMP approved	1 C-AMP submitted to National Treasury	1 C-AMP submitted to National Treasury	Target Achieved	-
Number of buildings performance measured in identified performance areas	478 buildings performance assessed in identified performance areas	600 buildings performance measured in identified performance areas	703 buildings performance measured in identified performance areas	Target Over Achieved	Site visits enabled more property-related information to be obtained easily for the compilation of building performance reports.

Programme 3: Construction Project Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviation
<b>Strategic Objective: To develop detailed construction plans that direct the execution of construction projects</b>					
Number of approved infrastructure project designs	210 approved infrastructure project designs	117 approved infrastructure project designs	81 approved infrastructure project designs	Target Not Achieved	Moratorium placed on DPW Capital and Planned Maintenance projects. Some of the projects, especially projects on planning and procurement stage were put on hold due to lack of funding (budget reduction for DPW Capital and PMTE Maintenance).
Number of approved infrastructure projects ready for tender	144 approved infrastructure projects ready for tender	174 approved infrastructure projects ready for tender	79 approved infrastructure projects ready for tender	Target Not Achieved	Some of the projects, especially projects on planning and procurement stage were put on hold due to lack of funding (budget reduction for DPW Capital and PMTE Maintenance). Delay on Client Approvals for awarding of projects. Procurement strategies were approved but tender process could not be concluded due to lack funding.
Number of infrastructure sites handed over for construction	186 infrastructure sites handed over for construction	117 infrastructure projects completed	98 infrastructure projects completed	Target Not Achieved	Some client departments such as DCS and confirmed budgets allocation late and less than anticipated expenditure for financial year under review (2017/18) at the start of April 2017. That made it difficult to graduate for some projects to construction stage. Major client departments such as DoJ, DCS and DAC confirmed the budgets allocation late

Programme 3: Construction Project Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviation
<b>Strategic Objective: To ensure that construction programmes are implemented according to approved criteria</b>					
Number of infrastructure projects completed	New Indicator	106 infrastructure projects completed	148 infrastructure projects completed	Target Achieved	There were a number of projects with short contract periods which were planning in the beginning of the financial year which managed to graduate to construction stage and got completed within the year under review.
Number of infrastructure projects completed within agreed construction period	139/245 (57%) infrastructure projects completed within agreed construction period	85 infrastructure projects completed within agreed construction period	138 infrastructure projects completed within agreed construction period	Target Achieved	There were a number of projects with short contract periods which were planning in the beginning of the financial year which managed to graduate to construction stage and got completed within the year under review.
Number of infrastructure projects completed within approved budget	129/245 (53%) infrastructure projects completed within approved budget	85 infrastructure projects completed within approved budget	141 infrastructure projects completed within approved budget	Target Achieved	There were a number of projects with short contract periods which were planning in the beginning of the financial year which managed to graduate to construction stage and got completed within the year under review.
Number of EPWP work opportunities created through construction projects	8 959 EPWP work opportunities created through construction projects	11 250 EPWP work opportunities created through construction projects	5 732 EPWP work opportunities created through construction projects	Target Not Achieved	None responsive bids requiring re-advertising Moratorium placed on DPW Capital and Planned Maintenance projects due to budget reductions.
Percentage reduction of infrastructure project backlog	14% (154/1 136) reduction of infrastructure project backlog	75% (32) reduction of infrastructure project backlogs in the construction phase	100% reduction of infrastructure project backlogs in the construction phase	Target Over Achieved	Enhanced project performance monitoring mechanism to include by not limited to extraordinary Project Review Meetings



Programme 4: Real Estate Management Services					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective : To provide functional leased accommodation for user departments</b>					
Percentage of lease agreements signed within prescribed timeframes	New indicator	60% of lease agreements signed within prescribed timeframes	No leases were signed within the prescribed timeframes	Target Not Achieved	Procurement Instructions were not implemented with 08 months due to delays caused by centralisation of processes. However as at the end of the financial year a total of 6 lease agreements had been signed 19 approvals at NBAC-L 2 RBAC-L approvals
Savings realised on identified private leases	New indicator	R100 mil savings through the renegotiation of identified private lease	R12,101,868.40 savings realised on identified leases	Target Not Achieved	Negotiations started in October 2017 and 102 leases were negotiated and concluded. Client approvals are awaited on the negotiated leases
Percentage of new leases awarded to black owned companies	New indicator	25% of leases awarded to black owned companies	67% leases awarded to black owned companies	Target Over Achieved	
<b>Strategic Objective: To optimize the utilization of State owned buildings</b>					
Number of private leases reduced within the security cluster	2 of 20 (10%) private leases reduced within the security cluster	6 private lease reduced for the security cluster	7 private leases for security cluster terminated	Target Achieved	Additional lease formed part of the security cluster
Percentage increase in revenue generation through letting of State-owned properties (excluding harbour related properties)	New indicator	20% of increase in revenue generation through letting of state-owned properties	30% increase in revenue generation through letting of state-owned properties	Target Over Achieved	The over achievement was as a result of additional leases
Percentage of identified vacant surplus state-owned properties let out	56 of 112 (50%) of identified vacant surplus state-owned properties let out	60% of identified vacant surplus plus state-owned properties let out	25% identified vacant surplus state-owned properties let out	Target Not Achieved	Vacant properties have been identified for letting out. Advertisements were placed in March 2018 to expire end of April 2018

Programme 4: Real Estate Management Services					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective: To optimize the utilization of State owned buildings</b>					
Percentage of revenue increased through rentals of harbour related properties	10% (1 050 175) increase in revenue through rentals of harbour related properties	10% increase in revenue through rentals of harbour related properties	41% increase in revenue through rentals of harbour related properties	Target Over-Achieved	Leases with higher rentals were added to portfolio
Percentage of DAFF certified Operation Phakisa Ocean Economy leasing requests signed within 12 months of receipt	0% leases signed No Operation Phakisa approved leases received	100% of DAFF certified Operation Phakisa Ocean Economy leasing requests signed within 12 months of receipt	0	Target Not Achieved	No Operation Phakisa Ocean Economy leasing requests received during the 2017/18 financial year. This is a demand driven indicator where performance is determined on the basis of receipt of requests.

Programme 5: Real Estate Information and Registry Services				
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18
<b>Strategic Objective : To maintain a compliant Immovable Asset Register</b>				
Percentage of approved disposals (in respect of socio economic purposes) processed for transfer	60% of disposals approved in 2016/2017 processed for transfer	70% of disposals approved in 2016/2017 processed for transfer	50% of disposals approved in 2016/17 processed for transfer	Target Not Achieved
Percentage of immovable assets updated on the IAR for completed infrastructure projects	100% (70) of immovable assets updated on the IAR for completed infrastructure projects	100% of immovable assets updated on the IAR for completed infrastructure projects	100% of immovable assets updated on the IAR for completed infrastructure projects	Target Achieved
Number of land parcels vested (confirmation of ownership)	New indicator	800 land parcels vested	572 land parcels vested	Target Not Achieved
				Vesting applications on various stages in the process on LAW residing at DRDLR. LAW System server crashed for two months, January and February Regions should engage Provincial DRDLR Offices to identify blockages
<b>To provide guidance and support to other custodians in the compilation of compliant Immovable Asset Register</b>				
Number of Provincial Immovable Asset Registers assessed for compliance	9 Provincial Immovable Asset Registers assessed for compliance	9 Provincial Immovable Asset Registers assessed for compliance	9 Provincial Immovable Asset Registers assessed for compliance	Target Achieved
Number of National and Provincial Immovable Asset registers incorporated into single repository (National Database of state properties)	9 Provincial Immovable Asset Registers assessed for compliance	2 National and Provincial Immovable Asset Registers incorporated into single repository	2 National and Provincial Immovable Asset Registers incorporated into single repository	Target Achieved

Programme 6: Facilities Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective : To manage maintenance programmes in accordance with an approved plan</b>					
Number of facilities with maintenance contracts in place	881 facilities with maintenance contracts in place	450 facilities with maintenance contracts in place	742 facilities with maintenance contracts in place	Target over achieved	The over achievement is as a result of the historical conservative target setting in the compilation of the five year strategic plan and APP.
Percentage of unscheduled reported maintenance incidents resolved within agreed timeframes	8% unscheduled reported maintenance incidents resolved within agreed timeframes	10% unscheduled reported maintenance incidents resolved within agreed timeframes	5% unscheduled reported maintenance incidents resolved within agreed timeframes	Target Not Achieved	The under achievement is partly ascribed to the fact that the historic Worx4u system was not fully updated with all relevant data that would provide an accurate measurement. This may be attributed to implementing the transition from the unreliable Worx4U to the new Archibus system
Percentage of term contracts awarded to black owned companies	94% SMME contracts awarded on the planned maintenance programme	30% term contracts awarded to black owned companies	65% term contracts awarded to black owned companies	Target Over-Achieved	These had been set in compliance with the minimum legislated procurement requirements. FM has ensured that contracts are indeed allocated to small and medium enterprises that are black owned which exceeded the target.

Programme 6: Facilities Management					
Performance Indicator	Actual Achievement 2016/17	Planned Annual Target 2017/18	Actual Achievement 2017/18	Deviation from Planned Annual Target to Actual Achievement 2017/18	Comments on deviations
<b>Strategic Objective: To ensure resource efficiency in State-owned buildings</b>					
Reduction in energy consumption (kilowatt hours) in identified property portfolio	274 316 368.2 Kwh of renewable energy generated	300 000 000Kwh reduction in energy consumption for identified property portfolio	61 982 024.6kwh reduction in energy consumption for identified property portfolio	Target Not Achieved	61 982 024 kwh verified annual savings achieved, following processes that were put in place to strengthen submission of reports with PoE's to substantiate achievement on this indicator, including independent Measurement & Verification (M&V) of savings.
Number of kilowatt hours of renewable energy generated	0	2 215 000Kwh of renewable energy generated	0	Target Not Achieved	The Department is finalising a Renewable Energy Funding and Delivery Strategy in partnership with GTAC and DBSA for implementation
Reduction in water consumption (kilolitres) in identified property portfolio	4 459 707.00Kl Reduction in water consumption (kilolitres) in identified property portfolio	4 800 000kl reduction in water consumption for identified property portfolio	10 541 273kl reduction in water consumption for identified property portfolio	Target Over Achieved	Due to time lag in municipal invoice delivery, quarterly reporting was based on the available POE at the time of reporting. Actual annual achievement is based on available information which is represented as achievements for the period.

## 2.4 Strategy to Overcome Areas of Under Performance

- **Anti-Fraud and Corruption**

The second phase of the turnaround emphasizes efficiency enhancement within the Department ranging from systematic, process and performance improvements. There is a realization however that these improvements, as well as eliminating fraud and corruption in the work environment is ultimately dependent upon and requires a change in Departmental values that direct it toward a new organizational culture. In this regard, the Department has developed a number of Governance Frameworks for continuous performance improvement while meeting governance obligations and legislative requirements. These include a compliance framework to proactively and systematically manage compliance throughout the Department as well as an Integrity Management Framework (IMF). The IMF in particular has been developed in response to the Department's position on zero tolerance towards fraud and corruption and a commitment to public service delivery. This naturally calls for a renewed Organisational Culture of Public Service.

The purpose of the IMF is to drive ethics as a key consideration of the Turnaround Strategy and serve as a medium that provides guidance in articulating the Department's expectations of professional conduct which in turn assists in upholding accountability for any behavior with negative impact and instilling a compliant and responsible ethical culture benchmarked against the values of the Department.

Having emphasised on the investigative tools at the Department's disposal, the Department will place an increasing emphasis on integrity management and the preventative aspects of the anti-corruption strategy including requiring every senior manager to assume accountability for managing fraud risks in their respective areas of responsibility. The Minister has also announced that all senior managers in the Department, as well as those officials, irrespective of rank, who have been identified as occupying positions of high risk, will undergo lifestyle audits.

- **EPWP**

The EPWP will focus on the following:

- Ensure inclusion of EPWP work opportunity targets in the Annual Performance Plans (APP) of implementing government departments.
- Engagements with administrative heads and executives of implementing departments to include EPWP indicators in the respective EPWP coordinators' performance agreements.

- Foster integrated planning and budgeting approaches with implementing departments for target-achievement.
- Engagement with various public bodies to address challenges to strengthen implementation of EPWP projects.
- Mainstreaming of PEPs across all EPWP sectors and budget lines.
- Measures to improve reporting (across all data fields) on the EPWP Reporting System.
- Measures to address findings raised in AG Reports on the EPWP, such as:
  - Site visits to projects with feedback reports to public bodies; a register of required interventions identified during the site visits; letters to accounting officers in cases of persistent non-compliance; and withholding of tranches where projects are grant-funded.
  - Technical support on issues such as ensuring that attendance registers and contracts are compliant and ensuring that contracts with service providers include provisions that will lead to compliance with the requirements of the EPWP RS.

- **Policy Review**

The policy review exercise is regrettably behind schedule and has inadvertently affected the realisation of the 5 Year target. The main cause of the delay was due to insufficient capacity in Policy research, Policy analysis and Policy project management. The capacity challenge manifested in the weak conceptualisation of the White Paper Review project leading to the uniformed prejudging of the outcome of the policy review process. The concept prejudged the outcome of the policy review to be a Public Works Bill in the absence of a critical policy review exercise. The Department is therefore focussing on correcting the situation by undertaking a comprehensive evidence-based review of policy and legislative frameworks that impart and/or are imparted by the Public Works function of government is critical. The review exercise would then provide evidence-based recommendations on the needed interventions to deal with challenges and issues identified.

Three (3) Policy Specialists were hired during the 4th Quarter of 2017/18 leading to the development of a Project Strategy. The Project Strategy, presented to the Portfolio Committee on Public Works on the 27th of February 2018, consists of a Project Approach, detailed Project Implementation Plan, Project Risk Management Plan and Stakeholder Engagement Plan. The Strategy has been operationalised resulting in, amongst other key deliverables in the identification of key

policy themes and sub-themes and the development of a Draft Discussion Document for internal consultations towards the formulation of policy position prior to broader consultations. Marathon Stakeholder consultations within the Public Works Sector, specifically within the Department and the Property Management and Trading Entity (PMTE), Provincial and Regional Departments of Public Works, and the Public Entities falling under the Department are being undertaken. The intensive consultations, coupled with research and benchmarking will provide appropriate insights, and will lead to the production of a Diagnostic Report by July 2018.

- **Immovable Asset Register**

The Department will ensure continued life cycle management of immovable assets and maintenance of the IAR to comply with the PFMA, GIAMA, applicable GRAP standards and National Treasury guidelines. Furthermore, the Department will provide essential data to enable PMTE management to perform required portfolio analyses and to make sound investment decisions in order to achieve the State's service delivery and socio economic objectives. Appropriate levels of integration with the remainder of PMTE's business processes which include the payment of rates and taxes, itemised billing and capitalisation of completed projects will be prioritised.

The current IAR was developed mainly to meet compliance and reporting requirements in terms of PFMA and GRAP. Further enhancements to the existing IAR are required to support the PMTE in its endeavours to improve facilities management and to implement itemised billing. The Facilities Management function was established in April 2015. This has necessitated a detailed, technical analysis to assess the condition of the immovable assets portfolio and link the results of the assessment to the existing information on individual properties in the IAR. Accordingly, a project is being undertaken to perform technical condition assessments of the Department's property portfolio including significant components as well as sub-components.

Geo spatial technologies and data are increasingly utilised for

the enhancement of the IAR. Further, the Department is in the process of creating a fully-fledged GIS unit in order to meet PMTE's business requirements and monitoring of all State IARs through the single repository which will constitute a national database of the State's immovable assets.

Lastly, the Department will continue to provide guidance and support to other custodians in the compilation of compliant immovable asset registers and initiatives that will also inform the development of the single, integrated immovable asset repository to be used by National, Provincial and Local Government.

- **Real Estate Investment Management**

In relation to enhanced income generation requirements, the Branch enhanced its methodology on feasibility studies to ensure full lifecycle financial requirements are provided for apart from the initial capital investment. This will identify the OPEX for inter-alia life-cycle maintenance, ownership responsibilities (e.g. rates and taxes) as well as the ring fencing of a reserve fund for the eventual replacement of the asset. The user charges model was discussed with and supported by National Treasury to guide the levying of accommodation charges to user departments in respect of their usage of the department's immovable asset portfolio. This strategic initiative will be finalised for implementation in the next financial year.

The PPD programme has had numerous engagements with User Departments in which the results of the Strategic Spatial Framework was communicated to ensure alignment between Users and the targeted cities and towns for precinct development. The engagements aim to ensure that Users include projects in their UAMPS to accommodate planned Government Precincts. Regular engagements with Municipalities and Metros through the Built Environment Performance Plan process ensures buy-in on local government level and fast tracking of applications to ensure shorter implementation periods.

## 2.5 Transfer Payments to Public Entities

This table relates to Public Entities that received funding from the Department.

### Agreement SA (ASA)

Name of the Public Entity	Services Rendered by the Public Entity (Please provide programme name and its purpose)	Amount Transferred to the Public Entity (Please provide allocation per programme)	Amount Spent by the Public Entity (Please provide amount spent per programme)	Achievement of the Public Entity (Please provide a summary of achievement per programme)
<b>ASA</b>		<b>R 29,045,000</b>		
	<p>Programme 1 – Technical Assessment: Assessment Application, Offer for Assessment and Technical Committee Approval.</p> <p>Purpose of this programme is to ensure assessment of non-standardised construction related products and systems for which there are no South African national standards are fit-for-purpose.</p>	R 9,875,300	R 6,555,441	38 applications received by Agrément South Africa and 38 processed into formal applications within agreed timeframes.
	<p>Programme 2 – Innovative Non-Standardised Products / Systems Board Certification.</p> <p>Purpose of this programme is to ensure certification of non-standardised construction related products and systems for which there are no South African national standards are fit-for-purpose.</p>	R 12,198,900	R 12,198,900	31 non-standardized construction related products or systems certificates approved by the Board of Agrément South Africa out of 31 certificates submitted to the Board for ratification of the Technical Sub-Committee approval within agreed timeframes.
	<p>Programme 3 – Quality Assurance During Technical Assessment, Post Certification and Licensees.</p> <p>Purpose of this programme is to ensure assessment of non-standardised construction related products and systems for which there are no South African national standards are fit-for-purpose.</p>	R 6,970,800	R 4,627,378	31 quality inspections were conducted out of 31 products and building systems successfully assessed in terms of Agrément South Africa certification procedure as part of the technical assessment process.



## Council of the Built Environment (CBE)

Name of the Public Entity	Services Rendered by the Public Entity (Please provide programme name and its purpose)	Amount Transferred to the Public Entity (Please provide allocation per programme)	Amount Spent by the Public Entity (Please provide amount spent per programme)	Achievement of the Public Entity (Please provide a summary of achievement per programme)
<b>CBE</b>	<b>Total Allocation</b>	<b>R48 568</b>	<b>R47 320 642</b>	
	<b>Programme 1</b> – Administration Purpose of this programme is to provide support to the entire CBE, thus contributing directly and indirectly to the delivery of all strategic outcome oriented goals. The focus areas are ICT and financial support services.	R42 155 522	R39 546 620	<b>Achieved.</b> IT Governance Framework, in line with DPSA's Corporate Governance of ICT Policy Framework was implemented and ICT Plan (Strategic) was approved and implemented.  The CBE received unqualified audit with no materials financial findings for 2016/17.
	<b>Programme 2</b> – Skills for Infrastructure Delivery Purpose of this programme is to drive and facilitate Skills Development and Transformation within the Built Environment.	R7 888 423	R6 271 284	Two categories of high demand BEPs implementation plans were developed in support of Landscape Architects and Property Valuers. 150 Grade 12 learners were supported in their Maths and Science subjects.  50 built environment candidates were supported with their workplace training.  100 Interns were placed for work integrated learning  Oversight of accreditation visits by Councils were conducted to ensure compliance with the accreditation framework policy.  Nine Provincial Public Works Departments were engaged on the implementation of the CBE Structured Candidacy Framework.

Name of the Public Entity	Services Rendered by the Public Entity (Please provide programme name and its purpose)	Amount Transferred to the Public Entity (Please provide allocation per programme)	Amount Spent by the Public Entity (Please provide amount spent per programme)	Achievement of the Public Entity (Please provide a summary of achievement per programme)
<b>CBE</b>	<p><b>Programme 3</b> – Built Environment Research, Information &amp; Advisory</p> <p>Purpose of this programme is for CBE to provide informed and researched advice to Government and the public on Built Environment priority matters identified in the Medium Term Strategic Framework.</p>	R601 000	R542 289	<p>Research report on state of readiness of municipalities to implement the SIPDM was completed.</p> <p>Research report on analysis of the impact of CBE's Maths and Science support programmes focusing on built environment was completed.</p>
	<p><b>Programme 4</b> – Regulation &amp; oversight of six Built Environment Professional Councils</p> <p>Purpose of this programme is for the CBE to act as an appeal body with regard to matters referred to it in terms of the law regulating the Built Environment Professionals, and to promote and enhance high standards of professional ethics within the Built Environment.</p>	R1 040 068	R880 449	<p>An Identification of Work (IDoW) Action Plan approved by Council, further engagement with the Commission will be conducted.</p> <p>CBE Corporate Governance Framework was reviewed and aligned to the King IV principles of Corporate Governance, and was Approved by Council.</p> <p>Two of the six CBEs Strategic Plans, APPs were submitted to DPW by the 31 March 2018.</p>
	<p><b>Programme 5</b> – Government Policies &amp; Priorities</p> <p>Purpose of this programme is to ensure that BE academic curricula and Continuous Professional Development programmes embody health and safety in construction; job environmental sustainability; job creation through labour intensive construction and the Infrastructure Delivery Management System.</p>	R520 900	R80 000	<p>Detailed recommendations on best practice principles for transformation, based on the research findings were developed.</p>

Portfolio Committee Meeting	Issues Raised	Resolutions
<b>21 February 2017</b> <b>Practical Steps to address the Transformation of the Built Environment</b>	<ul style="list-style-type: none"> <li>PC remarked there is a need to do critical analysis of why CBE is not seeing so much professionalism in the industry and the entity needs to come up with amendments to the current legislation if it affects its space.</li> <li>The CBE has to go through the PFMA, identify stumbling blocks, and then propose relevant amendments</li> </ul>	<p>DPW, CBE (and Councils for Built Environment Professions representatives), cidb and IDT through their Transformation Steering Committee resolved to undertake a study of an analysis of transformation strategies as conceptualised and implemented by other sectors, other than the Built Environment Sector to learn from them. This has been completed. A sector wide strategy will be developed during this financial year (2018/2019)</p>
<b>02 May 2017</b> <b>CBE Strategic Plan, Annual Performance Plan and Budget for 2017/18 financial year</b>	<ul style="list-style-type: none"> <li>CBE need to adopt a radical approach in addressing transformation e.g promoting entrepreneurship for the black built environment graduates.</li> </ul>	<p>CBE has adopted a strategy to host Transformation Indaba to enable stakeholders to engage and bring solutions in fast-tracking transformation. The key output for 2018/2019 Transformation Indaba is the adoption of the sector wide Transformation Charter.</p>
<b>03 October 2017</b> <b>Council for the Built Environment</b> <b>2016/17 Annual Report presentation</b>	<ul style="list-style-type: none"> <li>CBE dependency on stakeholders to meet its targets was raised as a concern.</li> <li>PC expressed disappointment over the low numbers of females in the profession.</li> <li>PC asked what the socio-economic impact of the Council's programmes was.</li> </ul>	<p>The CBE has structured its targets to have less dependency on the external stakeholders with the exception of those related to the reporting of the six councils under DPW.</p> <p>The CBE is adopting an integrated reporting approach to be able to report on its socio-economic impact within the built environment.</p>
<b>28 November 2017</b> <b>Portfolio Committee briefing on the challenges faced by Small Businesses and Cooperatives in the construction sector and what strategies are in place to counter the challenges from the CBE and DPW</b>	<ul style="list-style-type: none"> <li>The Portfolio Committee raised a concern about lack of co-ordination of the issues raised by small businesses.</li> <li>Clarity was sought on the relationship between the Department of Public Works with the Black Business Council in the Built Environment and South African Council for Graduates Co-operative.</li> <li>Black Business Council in the Built Environment should be directing some of their developmental issues to the CBE and not to cidb.</li> <li>CBE: The government to do the costing of projects and target black businesses with the capacity to deliver. This will eliminate the challenge of costing faced by the small businesses and co-operatives.</li> </ul>	<p>DPW to initiate a meeting to involve all parties who were present: CBE, cidb, Black Business Council in the Built Environment (BBCBE) and South African Council for Graduates Co-operative</p>

## Construction Industry Development Board (cidb)

Name of the Public Entity	Services Rendered by the Public Entity (Please provide programme name and its purpose)	Amount Transferred to the Public Entity (Please provide allocation per programme)	Amount Spent by the Public Entity (Please provide amount spent per programme)	Achievement of the Public Entity (Please provide a summary of achievement per programme)
<b>cidb</b>	<b>Total Allocation</b>	<b>R74 984 000</b>	<b>R74 984 000</b>	
	Programme 1. Administration. The purpose is to play a crucial role in the delivery of the CID services through the provision of a range of support services, such as organisational development.		R45 587 982	<ul style="list-style-type: none"> <li>* Unqualified audit</li> <li>* Operation and maintenance of IT systems (down-time within performance targets, 100% of incidence items were attended within a specified time)</li> <li>* Board approval of new organisational redesign macro-structure</li> </ul>
	Programme 2. Regulation & Advocacy The purpose is to play a regulatory role within the construction industry, to provide input and guidelines in terms of legislation and regulations governing the construction industry.		R14 544 083	<ul style="list-style-type: none"> <li>* Around 7 000 Grade 2 to 9 contractors processed per quarter, over 95% within the required period of 21 days</li> <li>* Around 11 000 Grade 1 applications processed in Quarter 3 and Quarter 4, over 94% within the required period of 48 hours</li> </ul>
	Programme 3. Development & Capacity The purpose is to provide a clear indication as to how important developments are in terms of the functions and the mandate of the cidb. Development is central in almost everything that is done within the cidb.		R7 025 999	<ul style="list-style-type: none"> <li>* cidb Standard for Contract Participation Goals for Targeting Enterprises and Labour through Construction Works Contracts</li> </ul>
	4. Industry Performance & Transformation The purpose- the key theme in the strategy developed within the cidb is centered on the aspect of transformation. A key drive within the governmental priorities are the element of transforming the industry in terms of not only participating within the industry, but especially the ability of black, women, and youth owned contractors to be able to participate at all project grading levels.		R7 025 999	<ul style="list-style-type: none"> <li>cidb Standard for Minimum Requirements for Engaging Contractors and Sub-Contractors on Construction Works Contracts published October 2017</li> <li>* Annual cidb Construction Monitor; Transformation, published January 2018</li> <li>* 4 quarterly cidb SME Business Confidence Surveys published in 2017/18</li> <li>* draft Regulation Amendments for cidb Project Assessment Scheme published for public comment in December 2017</li> </ul>

Portfolio Committee Meeting	Issues Raised	Resolutions
<b>Parliamentary Portfolio Committee on Public Works 24 April 2018</b>	Department of Planning, Monitoring and Evaluation (DPME) indicated that cidb has not sent regular financial performance reports to National Treasury.	The cidb is committed to meeting all governance and compliance responsibilities. The cidb will engage National Treasury and ensure that all reports are submitted, including past reports.
<b>Parliamentary Portfolio Committee on Public Works 24 April 2018</b>	What are the timelines to address the slow pace of transformation in the sector?	<p>Targets for the transformation of the construction industry are, in effect, established and agreed to in the Construction Sector Codes (CSCs). The transformation of the industry involves macro-economic / business conditions impacting on the total work available to the construction sector and the underlying business conditions within which transformation must take place. Total government spend needs to increase along with the efficiency and rate of spend.</p> <p>Enhancing transformation is dependent on black contractors, black built environment professionals and black materials manufacturers and suppliers accessing work and participating meaningfully. There must be an increase in the participation of the black-sector in public and private sector spend through regulation, development programmes and best practice.</p> <p>Notwithstanding that access to work is fundamental to enhancing transformation, enhancing transformation requires support to enhance the capabilities of black-enterprise, availability of skills, access to finance, etc. Transparency and good governance in the delivery of construction works is essential.</p> <p>Addressing transformation is not the responsibility of one entity or organization, and requires the commitment from the established construction industry to transform from within, and to support the transformation of the black construction sector. Amongst others, public sector clients have a key role to play in supporting the transformation of the construction sector through developmental support and procurement interventions.</p>
<b>Parliamentary Portfolio Committee on Public Works 22 November 2017</b>	<p>Clarity on contractor registration issues</p> <ul style="list-style-type: none"> <li>* Number of contractors involved in public sector contracts</li> <li>* Clarity on contractor development: mentoring and synergies between public sector contractor development programmes (CDPs)</li> <li>* Access to work opportunities; access to tender opportunities through cidb iTender service and lack of access by rural contractors</li> <li>* Access to work opportunities: Underspend of infrastructure budgets by municipalities and the role of cidb in monitoring and supporting municipalities</li> <li>* Clarity on the cidb's relationship with the Competition Commission</li> <li>* Incentivising women to take up contracting</li> </ul>	<p>Detailed written responses were submitted to DPW on 30 November 2017 for submission to the Parliamentary Portfolio Committee</p>
<b>Parliamentary Portfolio Committee on Public Works 28 November 2017</b>	Requested a detailed breakdown of breakdown of large contracts by contractor as promised	Breakdown of high value contracts by contractor submitted to Acting Committee Secretary on 29 November 2017

### Independent Development Trust (IDT)

Name of Public Entity	Services Rendered by the Public Entity	Amount Transferred to the Public Entity	Amount Spent by the Public Entity	Achievements of the Public Entity
<b>Independent Development Trust</b>	Social Infrastructure Management Services	R 111 067 000	R 111 067 000	<ul style="list-style-type: none"> <li>Spent R4,33bn on social infrastructure programme (this represents 72 % achievement against a target of R6bn.</li> <li>Created 53 625 work opportunities through the expanded public Works Programme (EPWP) Non State Sector initiative</li> <li>Contracted 354 Non Profit Organisations (NPOs), Non-Governmental Organisations (NGOs) Community Based Organisations (CBOs) through the EPWP-Non State Sector (NSS) initiative.</li> <li>An amount of R2 497 bn, in overall programme expenditure was spend on BBBEE. This represents 92 percent expenditure of weighted total infrastructure</li> <li>A total of R557m was spent on contracts awarded to women contractors, representing 13 percent of total programme spend</li> <li>Spent R145mm on youth contractors which represents 3% of total programme spend</li> </ul>

Portfolio Committee Meeting	Issues Raised	Resolutions
<p><b>31 October 2017 – Select Committee on Economic Development on IDT's 2016/17 Annual Report</b></p>	<p>The Committee requested IDT to forward it the following information:</p> <ul style="list-style-type: none"> <li>• First and Second Quarter Performance reports (2016/17);</li> <li>• Audit report on stalled projects in Eastern Cape and KwaZulu-Natal;</li> <li>• List of client departments failing to transfer funds to IDT; and</li> <li>• List of provinces/regions where IDT has lost projects and the reasons for the lost projects).</li> </ul>	<p>Information was submitted on 7 November 2017</p>
<p><b>4 October 2017 – Portfolio Committee on Public Works on IDT's 2016/17 Annual Report</b></p>	<ul style="list-style-type: none"> <li>• What was the reason for the R111 million NT allocation to IDT? The Portfolio Committee has not received a formal communication to this effect.</li> <li>• The Committee inquired on whether or not it should engage DPW and National Treasury to help with the client departments owing IDT money</li> </ul>	<p>Response by DPW indicated that there is a Protocol Framework by DPW to give work to IDT to assist it to stay financially afloat; that the R111 million allocation to IDT comes from DPW; that there are efforts being made through MinMec to help IDT regain its lost business; and that the EPWP issues raised will be worked on closely with IDT.</p>

## 2.6 Conditional Grants

The following table present information on conditional grants.

EPWP Integrated Grant for Provinces (Public Works vote 11)	The grant has been transferred to provincial Departments nationally
Purpose of the grant	<ul style="list-style-type: none"> <li>To incentivise provincial Departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: <ul style="list-style-type: none"> <li>road maintenance and the maintenance of buildings</li> <li>low traffic volume roads and rural roads</li> <li>other economic and social infrastructure</li> <li>tourism and cultural industries</li> <li>sustainable land based livelihoods</li> <li>waste management</li> </ul> </li> </ul>
Expected outputs of the grant	<ul style="list-style-type: none"> <li>Number of people employed and receiving income through the EPWP</li> <li>Increased average duration of the work opportunities created</li> </ul>
Actual outputs achieved	The total FTEs created is 26 172
Amount per amended DORA	R395.579 million
Amount transferred	R395.579 million
Reasons if amount as per DORA not transferred	The entire allocation was transferred to eligible public bodies
Amount spent by the provincial Departments	R385.285 million
Reasons for the funds unspent by the entity	The unspent funds is as a result of delayed implementation of projects
Monitoring mechanism by the transferring department	The EPWP Integrated Grant for Provinces is monitored through the In-Year Monitoring (IYM) reports submitted on a monthly basis by the provincial Departments, site verification visits and reports on work opportunities as extracted from the EPWP reporting system.



Social Sector EPWP Incentive Grant for Provinces (Public Works vote 11)	The grant has been transferred to provincial Departments nationally
Purpose of the grant	To incentivise provincial social sector departments, identified in the 2016 social sector EPWP log-frame to increase job creation by focusing on the strengthening and expansion of social sector programmes that have employment potential
Expected outputs of the grant	Improved service delivery to communities by expanding the reach and quality of social services Contribute towards increased levels of employment  Improved opportunities for sustainable work through experience and learning gained Strengthened capacity of non-government delivery partners through increased access to funds for training, wages and administration
Actual outputs achieved	The total FTEs created is 16 919
Amount per amended DORA	R 385.583 million
Amount transferred	R 385.583 million
Reasons if amount as per DORA not transferred	The entire allocation was transferred to eligible public bodies
Amount spent by the provincial Departments	R382.279 million
Reasons for the funds unspent by the entity	The unspent funds is as a result of delayed implementation of projects
Monitoring mechanism by the transferring department	The Social Sector EPWP Incentive Grant for Provinces is monitored through the In-Year Monitoring (IYM) reports submitted on a monthly basis by the provincial Departments, site verification visits and reports on work opportunities as extracted from the EPWP reporting system.

EPWP Integrated Grant for Municipalities (Public Works vote 11)	The grant has been transferred to municipalities nationally
Purpose of the grant	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings low traffic volume roads and rural roads basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure) other economic and social infrastructure tourism and cultural industries waste management parks and beautification sustainable land-based livelihoods social services programmes community safety programmes
Expected outputs of the grant	Number of people employed and receiving income through the EPWP Increased average duration of the work opportunities created
Actual outputs achieved	The total FTE's created is 23 776
Amount per amended DORA	R691,447 million
Amount transferred	R691,447 million
Reasons if amount as per DORA not transferred	The entire allocation was transferred to eligible public bodies
Amount spent by the Municipalities	R540,545 million
Reasons for the funds unspent by the entity	The spending plan on this grant is aligned to municipal financial year which ends on the 30th of June 2018
Monitoring mechanism by the transferring Department	The EPWP Integrated Grant for Municipalities is monitored through the In-Year Monitoring reports submitted on a monthly basis by the Municipalities, site verification visits and report on work opportunities EPWP reporting system.

The Integrated Grant for Provinces had an allocation of R395 579 million. 100% of the allocation was transferred to provinces. The expenditure reported by provinces is R384.620 million which translate to 97% of the allocation. The number of work opportunities from projects implemented through the EPWP Integrated Grant to provinces was 60 051. The number of Full Time Equivalents created through the EPWP Integrated Grant to Provinces was 26 172.

The Integrated Grant for Municipalities had an allocation of R691.447 and 100% of the allocation was transferred to municipalities. The expenditure reported by municipalities is R552.488 million which translate to 80% of the allocation. For this grant expenditure continues up to the end of the municipal financial year in June 2018. The number of work opportunities from projects implemented through the EPWP Integrated Grant to Municipalities was 53 497 work opportunities. The number of Full Time Equivalents created through the EPWP Integrated Grant to Municipalities was 23 776.

The Social Sector EPWP Incentive Grant had an allocation of R385.583 million and 100% of the allocation was transferred to provinces. The expenditure reported by provinces is R382.279 million which translate to 99% of the allocation. The number of work opportunities from projects implemented through the Social Sector EPWP Incentive Grant was 22 779 work opportunities. The number of Full Time Equivalents created through the Social Sector EPWP Incentive Grant was 16 917.

## 2.7 Capital Investment

In line with Government immovable Asset management Act No. 19 of 2007, UDM assisted 42 clients to produce user asset management plans. Of the 42 clients, only 10 have Capital infrastructure projects. The department assisted the 10 clients (of which 9 were received) to submit signed off infrastructure work list for project programming and implementation. This

denotes significant progress in relation to asset management planning for the Department and its users as well as improved compliance with the GIAMA.

The Department provided and managed immovable property portfolio in support of Government's Social, Economic and Functional and Political Objectives. The obligation enjoins the Department to plan, budget and executes work calculated to acquire, maintain and construct various government facilities such as police stations, land ports of entry, prisons, residential and office accommodation for user departments. Despite persisting problem of under-spending the budget allocated for construction infrastructure projects and late delivery of such infrastructure projects the department managed to complete

In terms of the Construction Management, the Department had a over R4 billion in the period under review. This is a significant amount for infrastructure delivery with the primarily focus on delivering construction projects and secondarily by impacting positively to the economic growth of the Republic of South Africa and by creating work opportunities. The expenditure per programme was as follows:

- DPW Capital Project Budget R748 239 000 (94%)
- Client Capital Project Budget R1 751 926 993 (91%)
- Client Maintenance Project Budget R1 978 058 499 (100%)

In the year under review, a decrease in infrastructure backlogged projects (these are projects in the construction stage exceeding two (2) years of the planned construction period).The Department completed 92 infrastructure projects.

The current state of the Department's capital stock, for example what percentage is in good, fair or bad condition.

**Table 2.12: State of the Department's capital stock**

Department	Condition of State-owned Buildings								Total		
	(Number and Percentage)										
	Very Good C5		Good C4		Fair C3		Poor C2			Very Poor C1	
Correctional Services	24	0%	2629	23%	8147	71%	620	5%	132	1%	11552
Defence		0%	3412	11%	24096	81%	1764	6%	491	2%	29763
Justice	38		636	24%	1666	62%	277	10%	79	3%	2696
Other User Departments	367	2%	5061	16%	18439	60%	5173	17%	1676	5%	30716
SAPS	275	1%	3726	21%	11175	64%	1874	11%	492	3%	17542
Unutilised		0%	16	5%	139	43%	46	14%	124	38%	325
Grand Total	704	1%	15480	17%	63662	69%	9754	11%	2994	3%	92594

Towards quantification and definition of the extent of the maintenance backlog, condition assessments were carried out on significant portfolios in Cape Town and Pretoria. This will assist the scheduling of maintenance programmes for those portfolios.

The Department however, continues to have a significant number of immovable assets in very poor to poor condition. Although maintenance projects have been scheduled for these and other assets in the portfolio, these projects are currently unfunded and contribute to continued dilapidation of the portfolio. Moving forward, the strategy remains to categorize all assets according to condition for them to be prioritized and included in funded Maintenance Programme on an annual basis.





## **CHAPTER 3**

### **GOVERNANCE**

### 3.1 Introduction

Governance objectives cut across the entire organisation and tie into everything aspect of the organisation. It is therefore important that the governance objectives share common characteristics that make it possible and even necessary to manage them as a distinct organisational concern. The substance of governance objectives is closely connected to the well-being of the organisation. The Department has structured its governing bodies in different ways containing three key components that focus on the following tasks: providing strategic leadership, defining the business of the Department and analysing technical environment within which the Department operates, policies and solutions. The approach to governance structures is aligned to the Management Practice Assessment Tool (MPAT) processes within the Department. Some of the salient features of governance practices in the department are discussed below.

The Department has four entities namely the cidb, CBE, ASA and the IDT. The performance of these entities is monitored quarterly. These quarter assessment have enabled the entities to better focus their priorities with those of government as contained in the NDP and MTSF, as well as the policy priorities of the Minister of Public Works. The Department is engaging the role previously assumed by the DPME of overseeing the planning processes in these public entities and formalized shareholder compacts with each one of them for the first time (with the exception of the IDT for whom this has been standard practice), detailing the expectations of the public entities as a mode of delivery for critical outcomes contained in the NDP within the construction and property sectors. Over the years, great emphasis has been placed on the six built environment professional councils.

### 3.2 Risk Management

The Department has an approved Risk Management Policy and Strategy in place. The Risk Management Policy is reviewed every three years taking into consideration changes in the environment to ensure an appropriate risk management culture across the Department. The Risk Management Strategy and was tabled to the relevant governance structures (RMC, EXCO) and was subsequently approved by the Director-General for implementation during the 2018/19 financial year. Risk assessment/reviews are conducted annually to evaluate the status of identified risks, determine the level of progress on the implementation of action plans and to update the level of risk exposure at residual level of the risks considering the strategic objective. Emerging risks are identified when risk monitoring is conducted and when there are any changes in the Department's operations. Extensive consultations take place and the emerging risks are brought to the attention of

the risk owner. The current risk registers are then updated with such emerging risks and are monitored on a quarterly basis.

The final Strategic Risk Registers for the 2018/19 financial year were approved by the Director-General and the implementation thereof will be monitored on a quarterly basis. Risk action plans are broken up into quarterly measurable targets to ensure that progress is tracked and reported meaningfully.

The Department has a functional Risk Management Committee (RMC) that convenes on quarterly basis as per the RMC Charter. The roles and responsibilities of the RMC is guided by the approved RMC Charter which is updated on an annual basis. The RMC is chaired by an independent Chairperson appointed by the Director-General as per the National Treasury Risk Management Framework. Discussion and resolutions taken at RMC are escalated to EXCO and Audit Committee meetings for further discussions and decision making.

The Audit Committee is responsible for oversight of the Department's control, governance and risk management and provides an independent and objective view of the Department's risk management effectiveness. The Audit Committee, as an assurance provider, monitors the implementation of risk management processes and advises Management on how to improve the effectiveness of risk management in the Department. Quarterly progress reports on the implementation of the risk action plan is tabled to the Audit Committee together with the identified emerging risks.

The Department has reviewed the Strategic and Operational risks for the Department for the 2018/19 financial year. The Strategic risks are long-term, oriented toward impact. The Risk management Unit and Strategic Planning Unit conduct an integrated process to ensure the alignment between planning and risk management. This assists the Department to take into consideration challenges and threats that may hinder the achievements of departmental objectives and identify strategies to mitigate such. The challenges identified with the implementation of action plans during the 2017/18 financial year were as a result of dependencies such as: the filling of vacant posts, reliance on external and internal stakeholders. There is ongoing assessment and improvement of the risk management process to ensure that the correct root causes, impact and action plans are identified and mitigated. Internal Audit has relied on the content of the Risk Registers in developing its Risk Based Internal Audit Annual Plan for 2018/19.



### 3.3 Fraud and Corruption

Anti-Fraud and Corruption has become a significant measure of good governance in Government. We are convinced that services cannot be delivered in an effective and efficient manner in an environment of high fraud risk. Industry Reports along with our own experience would indicate that the construction and property sectors are highly susceptible to fraud and corruption risks. This is largely due to the vast money involved in the Sectors and the nature of the job to be done which is highly technical and with the few skilled capacity around to effectively manage and oversee infrastructure projects. The infrastructure sector therefore remains vulnerable to bid-rigging, credential misrepresentations, collusive tendering, bribery and general fraudulent misdemeanours.

#### Anti-Fraud and Corruption Strategy

On a governance level, the department has adopted an Anti-Fraud and Corruption Strategy to prevent fraud and corruption and promote ethical behaviour. The Department's Fraud Prevention Strategy outlines a high level plan on how the fraud prevention programme is implemented and serves as an additional measure to assist in the limitation of the impact of fraud and corruption risks, with a particular focus on creating awareness and promoting ethical business conduct.

The Department has adopted and implemented a four (4) component strategy in response to managing Fraud and Corruption within the Department. Significant initiatives have been undertaken within these components in the Department. For the record they include:-

- Prevention – Education and Awareness, Policies and Procedures, Ethical Culture etc.
- Detection – Promoting Reporting Mechanisms, Internal Audit, Register of Allegations
- Investigations – Internal, and/or Out-sourced (SIU and Private Firms)
- Resolutions – Implementation of systemic recommendations, Disciplinary Action, Civil and/or Criminal Actions

#### Prevention through Fraud Risk Management

As part of the Department's broader measures to eradicate fraud and corruption within its operations we have developed and implemented a Fraud Risk Management Plan which is incorporated into the Department's overall Fraud Prevention Strategy.

The robust Fraud Risk Management Plan will enable the Department to:-

- Enhance systems, processes and procedures and reporting systems which will support operational efficiency;
- Ensure economic and efficient use of State resources;
- Realise improved service delivery and;
- Improve stakeholder confidence.

The Department during the 2015/16 embarked on a journey to develop a Fraud Prevention Plan, which is in line with the Public Finance Management Act, No 1 of 1999 (PFMA) and related National Treasury Regulations promulgated in terms of the PFMA.

In order to further demonstrate its commitment to the effective and efficient management of fraud and corruption risks within the Department, the Department's has committed through its Strategic Plan to reduce the fraud risk exposure by 85% by the 2019/20 financial year.

In this respect the Department focuses on proactive measures designed to identify fraud and corruption risks and manage or mitigate these risks proactively. Placing emphasis on preventative action through a fraud and corruption risk management framework significantly reduces the time, effort, costs and potential reputational damage of reacting to incidents of fraud and corruption.

It is expected that when the Fraud Risk Management process has reached its full maturity, it will be characterised by:-

- Risk assessment at the strategic and operational levels of the Department including the assessment of fraud and identification of mitigating action plans and controls
- All business units within the Department aligning their financial and business internal control systems to the fraud prevention plan, putting in place key controls that specifically address the risk of fraud
- A fraud risk ownership structure from the top to the bottom of the Department
- Branches assuming responsibility for implementation of the fraud prevention plan within their area of responsibility
- Management putting in place basic internal controls to prevent and detect fraud and corruption, and
- Management obligation to report periodically on fraud risk control effectiveness within their respective areas of responsibility.



### 3.4 Minimising Conflict of Interest

In adopting a zero tolerance approach to fraud and corruption within supply chain management and to prevent and detect collusive practices, the department has implemented a number of internal control measures which serve to minimise conflicts of interest. These controls include the following:

- All SCM officials and every other official involved in supply chain processes are required to annually sign a "Code of Conduct for all DPW Officials Engaged in Supply Chain Management" Form (PA00) which requires the officials to declare in writing all business, commercial and financial interests.
- Departmental officials involved in developing tender specifications and terms of reference for contracting as well as officials involved in the evaluation and adjudication of all tenders received, are required to complete and sign a "Declaration of Interest and Confidentiality" form (PA18). This is a mandatory requirement and no tender specification, evaluation or adjudication meeting will convene if this requirement is not adhered to.
- No official of the department is permitted to participate in any supply chain processes if that official is not duly appointed in writing to do so by the delegated authority.
- All SCM officials are required to submit on a quarterly basis a "Related Party Disclosure" form which requires them to also disclose in detail the participation of spouses and close family members in any partnerships, close corporations and/or companies.
- In instances where officials declare a conflict of interest, the members present at the meeting then deliberate on the nature of the conflict of interest declared to determine if it is indeed a material conflict. In certain instances legal services are also engaged to advice on the nature of the conflict. A member is then immediately recused from participating in any further activity related to the item under discussion. The nature of the conflict declared is also recorded.
- All SCM officials are also subjected to a security vetting process.
- The SCM Policy also prohibits employees of the state to conduct business with any organ of the state. Bidder(s) that are found to be employed by the state are thus disqualified from the bidding process.
- Within the quotations environment, electronic nomination and rotation of prospective bidders has been

implemented through the use of a sourcing system that interfaces with the National Treasury Central Supplier Database (CSD). This assists in fair selection and rotation of bidders to minimise perceived risks associated with manual selection. The CSD is also utilised as a tool to scrutinize ownership and directorship of bidders to determine if they are not employed by the state.

- The Department has reviewed and improved business processes to address instances where bidders are found to have contravened the SCM provisions. A Restriction Committee Authority (RCA) has been established to consider and recommend to National Treasury possible restriction of suppliers from doing business with the state for a period not exceeding 10 years.
- The departmental standard bidding requirements also make it mandatory for all bidders responding to an invitation to bid, to complete and submit a "Declaration of Interest and Bidders Past SCM Practices" form (PA11) which obligates the bidder to declare any relationship with any member of the department involved in the supply chain process related to the bid and to further declare whether he/she is an employee of the State.
- When utilising external professional service providers to conduct risk assessments on potential contractors, the department has implemented a "Consultant Declaration of Interest" form which requires the party conducting the risk assessment to declare any potential conflict of interest with the party on whom the risk assessment is being conducted.
- The departments Compliance Unit and SCM also conduct procurement process reviews by using "compliance checklists" at the various procurement gates to ensure governance and compliance and minimising conflicts of interest.

### 3.5 Code of Conduct

The Code of Conduct contained in chapter 2 Part 1 of the of the Public Service Regulation as amended provides employees with sets of rules and standard of conduct expected from Public Servants. The purpose of the Code is to ensure that employees conform to the basic values and principles that govern public administration as provided for in various legislations and prescripts. The Code of Conduct provide a clear guidelines on how employees in the Department should conduct themselves as Public Servants. The Directorate: Labour Relations has been circulating the Code of Conduct to all DPW users through the Communication Unit on a quarterly basis in order to ensure that the contents of the Code of Conduct are well known to all employees. The Directorate also conducts awareness trainings through the induction programmes where

the Code of Conduct and the Disciplinary Code and Procedures are presented to the newly appointed employees in order to establish and maintain an ethical culture in the Department.

Non-compliance with the Code of Conduct by employees may impact negatively on the operations of the Department and create a negative public image about the Department e.g. when employees solicit and receive bribes during the performance of their duties. All employees in the Department have the responsibility to comply with the prescribed Code of Conduct and to report any form of irregularities, maladministration and any other act which constitutes an offence, or which is prejudicial to the public interest. The Department investigates all reported cases of contravention of the Code of Conduct and institute disciplinary actions in terms of the Disciplinary Code and Procedure for the Public Service if there are grounds to do so, in order to enforce acceptable ethical conducts among its employees.

### 3.6 Health Safety and Environmental Issues

The Department of Public Works, through its Occupational Health and Safety Compliance has continued with its Occupational Health and Safety Campaign under the slogan - "My Safety, Your Safety, Our Responsibility" to inform and educate staff on the importance of Occupational Health and Safety in the work place. As part of the campaign, various habitual preoccupations that most office workers are involved in have adverse effects on their physical well-being. Guided by the Occupational Health and Safety Act 85 of 1993, inspections are conducted on both leased and state buildings as well as construction projects to monitor the level of compliance. Most of the buildings were not complying with the requirements of the OHS legislation. Some of the supporting units within the Department were consulted to avail funds to rectify the non-compliance issues.

Inspections were also conducted on some of our Waste Water Treatment Plants which necessitated a National Task Team to focus on all issues affecting the normal functioning of the treatment Plants. An analysis was done on some Plants in the Durban, Cape Town, Nelspruit and Pretoria Regional Offices, this exercise it's still ongoing. The other Regional offices are scheduled to be inspected in the 2018/19 financial year.

Compliance Inspection are also done on the Railway sidings managed by the Department in line with the Railway Safety Regulator's Requirements to ensure compliance with the South African National standard (SANAS) 3001. These sidings are maintained and serviced for the user departments like the South African National Defence Force (SANDF) for their day to day operations. The SANDF uses the railway to transport both

ammunition and JET fuel for Presidency. The Department applies for a Railway Safety Permit annually with the National Railway Safety Regulator (an agency of the National Department of Transport). The National Railway Safety Regulator (Act No. 16 of 2002) requires all entities defined as operators to apply to the Railway Safety Regulator (RSR) for a Safety Permit including the Department of Public Works. According to this Act, all entities are obliged to apply to the RSR for a Safety Permit should they be an operator defined in the Act, including being:

- Responsible for the maintenance of any portion of networks/ siding including railway yards.
- Responsible for the movement of rolling stock and
- In control of a station

The Department is in possession of (22) railway sidings in different regions and only (3) of those are active and the rest are dormant and spiked. As the custodian of railway lines, the Department is classified as a Class B, Network Operator. Network Operators are responsible for the maintenance of their active railway lines and it is their responsibility to ensure that active railway lines are kept in good operational condition to avoid any nature of an occurrence. The Department of Defence as the User of these lines are also in possession of a Railway Safety Permit in order to comply with the requirements of the National Railway Safety Regulator. The relationship between the Department and South African National Defence Force is managed by the Service Level Agreement which stipulates the responsibility of each operator in the siding.

Moreover the Department has interface agreement with interfacing operators such as Transnet Freight Rail and Senwes who are also responsible for the maintenance of their railway lines. The relationship between the Department of Public Works, Senwes and Transnet Freight Rail is managed by the Interface Agreement signed by all interfacing parties. The Railway Safety Nominated Manager has since been appointed to handle all railway related activities in all the regions where the Department owns/operates sidings. The Nominated Manager is also responsible for the following:

- Ensuring the requirement of the Act, Regulations and safety Standards are implemented and maintained.
- Compile standards and procedures with regards to the railway safety management system.
- Facilitate the signing of Interface Agreement between all parties interfacing with the Departmental sidings.
- Conduct inspections or audits in all railway sidings.
- Attend to all reported incidents.
- Facilitate the process of spiking all unutilised sidings.

### 3.7 Portfolio Committees

The Department appeared before the committees of Parliament in the period under review.

Item	Date	Subject	Summary of meeting outcomes
IDT, CBE, cidb and Agrément South Africa on their Annual Performance Plans	02 May 2017	IDT, CBE, cidb and Agrément South Africa on their Annual Performance Plans	<p><b>The Committee was appraised on the APPs of the entities as approved by the Minister and challenges encountered in the implementation of the plans as follows:</b></p> <p><b>ASA:</b> Concerning the high-level risk plan for ASA, Mr Odhiambo indicated there is insufficient technical capacity to support ASA because of the limited pool of professionals. As a result, this makes it difficult to deliver on the core business. They would still continue to use specialised skills within the entity and there is continuous enhancement of the skills development programme. It is hoped this target would be finalised by 31 December 2018. He also mentioned there is a lack of necessity of ASA certificates because of the industry trends and social acceptance innovative products, and this was affecting their delivery on the core business.</p> <p><b>IDT:</b> On challenges the entity is grappling with, it was pointed out that delays in transfer of funds from client departments resulted in IDT not complying with the 30-day payment to suppliers and service providers. Some of these delays have resulted in litigation and delays in programme delivery where service providers have suspended work due to non-payment. It was further noted that management fees continue to be a challenge due to lower programme values for the 2017/18 - 2019/20 MTEF period. A specific level of programme work needs to be guaranteed to ensure a multi-year revenue pipeline. Lastly, the previous two years' negative audit opinion has adversely impacted the organisation, its business and reputation. An audit action plan to deal with the root causes is in place.</p> <p><b>cidb:</b> Pertaining to development and capacitation, the cidb wants to support risk management within the industry to ensure that by 2020 at least 85% of projects comply with contractor and client performance ratings. This would ensure delivery capability through setting of standards and recognition of contractors and PSPs through the implementation of recognition schemes. In terms of development opportunities and support, the entity plans to have contractors, clients and PSPs to deliver value for money and address socio-economic objectives by ensuring that more resources are spent on training and capacity development within the industry.</p> <p><b>CBE:</b> The entity reported that there are challenges around funding constraints experienced by BEPCs; poor coordination of various institutions and departments in the sector that could impact delivery against government's outcomes; and the ineffectiveness in driving the transformation agenda. The CBE would continue to collaborate and enter into inter-sectoral and inter-governmental partnerships, and develop Memoranda of Understanding (MoUs) with other government departments, municipalities, and the private sector. The CBE would continue to support the BEPCs to ensure that their strategic plans align with government's strategic outcomes.</p>

Item	Date	Subject	Summary of meeting outcomes
Committee Report on Department of Public Works Budget	<b>09 May 2017</b>	<p>Committee Report on Department of Public Works Budget</p> <p>Draft Committee Budget Vote Report on the 2017/18 Budgets and Annual Performance Plans of the Department of Public Works and its entities.</p>	<p>Members were interested to know what programmes the Construction Industry Development Board (cidb) had in place to empower emerging contractors.</p> <p>Concern was raised about young employees at professional councils being stuck in candidacy phase jobs. Members felt that regular subcontracted contractors needed to support emerging contractors.</p> <p>The Committee agreed that the DPW needed to brief the Committee on its updated asset management register. It was also felt that the Committee needed a strategic session with the entities of the DPW or even better with the entire DPW family. A progress report from the DPW would also be useful. Members were concerned about the large number of vacant posts in the DPW when there were so many professionals in SA that remain unemployed. Members perceived that there seemed to be gate-keeping practises at play when it came to employing individuals.</p> <p>The Acting Chairperson said that it seemed that the Committee needed a strategic session with the whole family of the DPW behind closed doors. He placed the Draft Committee Budget Vote Report before the Committee for consideration and it was adopted as amended.</p>
Use of consultants: Public Works & PMTE briefing	<b>23 May 2017</b>	The Department of Public Works (DPW) with the Deputy Minister in attendance, convened with the Portfolio Committee on Public Works to present the use of consultants by the Department and by the Property Management Trading Entity (PMTE).	<p>The Committee was briefed on the consolidated expenditure by DPW and PMTE, which included the following projects for outsourcing: Business and Advisory services; Infrastructure and Planning; Legal Services; Contractors, and Agency and Support/ outsourced. Notably, there was high expenditure in 2014/15 for the Contractors, this was due to presidential inauguration and state funerals. All State functions are included in this category. Also, under the category of Agency and Support, the ICT Support Services underwent redefining which required technical skills and thus IT consultants were needed.</p> <p>The expenditure on consultants by PMTE alone for 2015/16 was R198 million and R281 million in 2016/17. PMTE included additional functions and projects such as the Immovable Asset Register, anti-fraud and corruption investigations, and verification of municipal debt for government departments and the development of SAGE/Archibus systems. The verification of municipal debt for government departments was a project to acquire the R4.4 billion debt departments owed municipalities for the rental of office space as well as the collection of taxes and levies that were neglected beforehand.</p>
Umsunduzi Municipality irregular expenditure: IDT briefing on remedial action	<b>30 May 2017</b>	The Independent Development Trust (IDT) appeared before the Portfolio Committee on Public Works to shed light on the irregularities uncovered on IDT projects implemented at the Umsunduzi Local Municipality	<p>Members sought clarity on the promise that there would be no implicated board members/officials shielded in the investigations, because the IDT was alleged to be heavily involved in corruption. The fact that it was a whistle-blower who exposed the corruption was disheartening, if no one in the IDT had known that the contract had been granted to TNT on a platter instead of it going out on official tender. What happened to the schools that should have been built? What should happen to the communities that were supposed to benefit from the projects which are less than 75% complete, years later? Members said that corruption must not be tolerated because the country was facing serious challenges of inequality, unemployment and poverty while others were milking the state dry.</p> <p>The Chairperson of the IDT board gave an assurance that action would be taken against individuals found to be complicit when it received the final reports. However, concrete evidence would be needed to take any action. The IDT had proved that there would be no "sacred cows," no matter how highly placed those involved were -including board members with a potential conflict of interest.</p>

Item	Date	Subject	Summary of meeting outcomes
Small Harbours Maintenance, Leasing, Job Creation: Public Works briefing	<b>13 June 2017</b>	The Department of Public Works (DPW) provided a detailed background on the work it had done in respect of small harbours and the integrated Small Harbour Management Authority (ISHMA) which had been established in 2005.	<p>The Department stated that it held various engagements with local municipalities and the province to identify possible areas for the development of a new small harbour in the Northern Cape. The initial area proposed for development was Boegoebaai. Upon interaction with the National Department of Transport and the office of the Premier in the Northern Cape, the proposed area for development was amended to Port Nolloth.</p> <p>Regarding the way forward, there was a proposal for the DPW to host provincial investor conferences in each of the four coastal provinces. The intention was to pair investment proposals with municipal/ provincial priority projects. The proposed time for the conference was August 2017. The DPW would also host the national laboratory for one week in all four coastal provinces and all the projects would be tabled at the laboratory for final decision-making.</p>
Public Works Turnaround Strategy: Efficiency Enhancement Phase 2	<b>22 August 2017</b>	The Department of Public Works (DPW) together with the Property Management Trading Entity (PMTE) briefed the Committee on progress concerning Phase II of the Turnaround Strategy.	<p>This engagement forms part of progress reporting wherein the department mentioned that PMTE managed what was traditionally the core business of DPW and represented the largest real estate portfolio in the country. As of 31 March 2017, the entity was responsible for 29 322 parcels, 93 943 buildings, with a gross cost of around R149 billion. There are 2597 leases and the entity was spending approximately R4 billion on leases. In terms of accommodation types, 54% of the accommodation was specialised assets, 39% residential areas and 7% was offices.</p> <p>The entity recommended that the Committee should support its position as enabler of socio-economic activity as the custodian of the State's portfolio.</p>
Committee Oversight Report of Western Cape Small Harbours; Expropriation Bill inputs by National House of Traditional Leaders	<b>05 September 2017</b>	The Portfolio Committee on Public Works met to be briefed by the Parliamentary Legal Services (PLS) on the legal implications of the letter from the President on the return of the Expropriation Bill.	<p>The Committee questioned the implications of the President's letter. They asked to have a copy of the letter so that they could also gain a personal understanding of its contents in order to engage further on it. It was decided that the Committee would ask for two terms in 2018 to be able to properly deliver on the expectation of the request.</p> <p>The Committee also considered the reports of the two oversight visits to three harbours in the Western Cape. Corrections were made to both reports, and they were adopted with amendments.</p> <p>Ms Phumelele Ngema, Parliamentary Legal Advisor, said the Expropriation Bill (4D) of 2015 had become the only valid version of the Expropriation Bill. It had been ready for assent, but the President had not signed it because he had a constitutional reservation which was indicated in his letter. Therefore the Bill had been returned to the national legislature. It had been referred back in terms of Section 79 of the Constitution.</p> <p>Members were asked to review the oversight report for the Committee's visit to small harbours in Western Cape from 19 to 21 June 2017.</p> <p>Members considered and adopted the oversight report for the Committee's visit to small harbours in Western Cape from 30 July to 3 August.</p>



Item	Date	Subject	Summary of meeting outcomes
Annual Reports 2016/17	03 October 2017	Public Works, CBE, PMTE 2016/17 Annual Reports, Auditor-General input; with Minister and Deputy  Agrément SA, IDT + Construction Industry Development Board 2016/17 Annual Report	<p>The Council for the Built Environment (CBE) reported that it adopted the National Development Plan (NDP), the Medium Term Strategic Framework (MTSF) 2014-2019 and the Industrial Policy Action Plan (IPAP) in its strategic plan. It achieved 73% of its targets and obtained an unqualified audit report in the 2015/16 financial year. A transformation strategy had been adopted for its affiliates, and an implementation plan to improve the technical capacity within municipal, provincial and national departments had been developed. All appeals lodged by its affiliates had been disposed of within the stipulated statutory timeframes.</p> <p>The CBE was commended for obtaining clean audit outcomes by submitting financial statements that were free of material misstatements and for complying with all relevant legislation.</p> <p>The Department of Public Works (DPW) and the Construction Industry Development Board (cidb) remained stagnant with unqualified audit outcomes, with findings on other areas. The audit outcome of the Property Management Trading Entity (PMTE) had regressed to an adverse audit outcome, from a qualification in the prior period. The Independent Development Trust (IDT) had remained stagnant, with a disclaimed audit outcome in the current period.</p> <p>The negative audit outcomes at the PMTE and IDT were attributed to a lack of effective financial management disciplines, inadequate reconciliatory processes and management's inability to implement action plans in a timely manner. There had been a lack of credible financial reporting throughout the year at the PMTE and IDT to enable leadership to review and take appropriate and timeous corrective action where required.</p> <p>The top three root causes identified by AGSA were: 1) the slow response by management, 2) instability or vacancies in key positions, and 3) lack of consequences for poor performance and transgressions. The recommendations were that quarterly feedback must be given on the implementation and progress on action plans. Management must provide quarterly feedback on controls implemented on key projects to avert fruitless and wasteful expenditure, and quarterly feedback on consequence management must be provided on action taken against transgressions. The Committee requested feedback on the actions taken to improve the financial health at PMTE and the IDT.</p> <p><b>Agrément South Africa</b> was in transitional phase to be fully operational on 1 April 2018. The national Department of Public Works, in leading the Transitional Task Team that oversaw the formation of the newly formed public entity, handed over the operational tasks of human capital, finance, legal, communications and facilities management to management. Members congratulated the entity for achieving an unqualified audit opinion. They wanted to know when ASA would fall under the Department of Public Works. They expressed concern about the absenteeism of the Chairperson of the Board as this was an important meeting dealing with topical issues affecting the entity.</p> <p>The <b>cidb</b> had 38 targets in place, achieved 27 and 6 targets were not achieved while 5 targets still had queries because of unreliable performance indicators. The overall performance of the entity was 71%. In terms of achievements, the Executive Committee was able to develop and approve the progress report to combat fraud and corruption.</p> <p>The IDT had a target of building 20 schools but only managed to build 5 schools and therefore this was a 20% achievement. The delays in the roll-out of schools due to rationalisation and merging of schools in certain provinces, as well as capacity constraints within IDT, impacted on timeous delivery of projects. The general fiscal challenges faced by a number of client departments had an adverse impact on turnaround time for payments, which in turn resulted in delays in projects completion and the below-par expenditure. The entity had a target of creating 15 000 work opportunities but only created 7 102 and therefore this was a 47% achievement. The entity created 58 637 of Expanded Public Works Programme Non-State Sector (NSS) work opportunities out of the 55 000 targeted and therefore this was a 107% achievement.</p>

Item	Date	Subject	Summary of meeting outcomes
Annual Reports 2016/17	<b>05 October 2017</b>	Department of Public Works and PMTE 2016/17 Annual Report, with Minister & Deputy Minister	<p>Members congratulated the Department on achieving an unqualified audit opinion, although there were still challenges in the performance of PMTE. It was unclear as to whether the Department was focused on real-estate or leasing. The Committee had a problem with leasing, especially in terms of the duration of leases. The Department should provide the Committee with a report on the number of leases and the duration of those leases, including a report on minimal rates.</p> <p>Members expressed concern about the R20 billion misstatements- that it may have been intended to hide either a deficit or surplus. There were massive financial errors that had been made and this once again highlighted the lack of accountability. It was important to know how an error had resulted in R26 billion overstatement of assets. The overdraft of R1.9 billion was wrong and unacceptable. 864 people had left the Department and the Committee was concerned about the reason for employees resigning in high numbers.</p> <p>The Committee resolved that there should be another scheduled meeting with the Department and PMTE on 17 October 2017 to allow the Department to respond to the questions that had been asked by Members. That meeting would be dedicated solely to answering the questions and there would be no presentations.</p> <p>The Chairperson indicated that the Committee would meet on 17 October 2017 to allow the Department to respond to the questions that had been asked by Members. This meeting would be dedicated solely to answering the questions and no presentations would be made.</p>
Department of Public Works + PMTE Budget Review and Recommendations Report	<b>10 October 2017</b>	The Committee met to discuss and contribute to the Draft Budget Review and Recommendations Report (BRRR) of the Department of Public Works.	<p>Members wanted to know the extent to which the Department of Public Works, in maintaining oversight, used the allocated funds to perform its mandated functions. They asked whether it should not rather be a mandated requirement for evidence to be provided regarding something like the socio-economic impact so that in future, there could be no valid reason for not providing such evidence or answering questions on that matter.</p>
Department of Public Works audit action plan, with Deputy Minister	<b>17 October 2017</b>	The Department of Public Works (DPW) presented a three-part plan of action to deal with the issues raised by the Auditor General of South Africa (AGSA) in its findings regarding the performance of the DPW and its entity, the Property Management Trading Entity (PMTE) during the past financial year.	<p>Members asked whether there was sufficient consequence management in the area of procurement and contract management. It was asserted that a primary problem was beneficiaries being recruited according to "party politics," and that it was widely held that the DPW overpaid for projects. They asked why there was not a concerted maintenance plan to prevent buildings from "falling apart." The lack of transformation within the construction sector still remained a challenge.</p> <p>The findings with respect to the DPW's predetermined objectives from the 2017/18 APP were that not all targets from the medium term strategic framework (MTSF) were included in the APP. This was due to the Department not reviewing and monitoring compliance with the applicable legislation. The DPW then set out to engage with relevant stakeholders to ensure that the MTSF targets were included in the APP.</p>

Item	Date	Subject	Summary of meeting outcomes
Prestige Programme for Parliament & Parliamentary Villages: DPW and PMTE briefing	<b>24 October 2017</b>	Prestige Programme for Parliament & Parliamentary Villages: DPW and PMTE briefing	The Chairperson pleaded that management cooperate with the Committee and follow-up the issues which had been addressed because it seemed the Department was not serious. He explained that officials from Public Works had two legacies, a good one concerning the good infrastructure projects which were not found elsewhere in Africa, and a bad one concerning large amounts of wasted money. In this regard he stressed the Department must clarify their actions as a way of bearing account.
Payments within 30-day period: Public Works briefing, with Deputy Minister	<b>31 October 2017</b>	The Committee met with Department of Public Works (DPW) and Property Management Trading Entity (PMTE) to receive a brief on the Enterprise Resource System (ERS), a tool proposed to be used for improving payments to suppliers within the required 30-day period.	<p>The DPW indicated that the Sage finance module had been used since 2015, but National Treasury (NT) had released the guidelines for Sage procurement only on 1 April 2017. The special requirements of Sage procurement were being incorporated, and once implemented would lead to an automated process which allowed the payment of contractors within 30 days. DPW indicated time frames and milestones for the roll-out of the Enterprise Resource Payment system, using procured Sage and Archibus software approved by NT.</p> <p>The Chairperson observed that the Committee had not arranged an interpreter, and mandated the support officials to arrange for an interpreter at the next meeting.</p>



**Table 3.1: NCOP Economic and Business Development**

Item	Date	Subject	Summary of meeting outcomes
Committee Report on Eastern Cape oversight visit	<b>07 November 2017</b>	Committee Report on Eastern Cape oversight visit	<p>The Committee recommended the following:</p> <p>DG to provide a specific plan on the resuscitation of the regional workshops by the end of the first term of 2018.</p> <p>DDG in charge of EPWP to avail the regulation and standard operating procedures on the process of selecting beneficiaries to the Committee Secretary by the end of the fourth term of 2017.</p> <p>Discuss with the Minister of Justice and Correctional Services on the matter of the urgent need for the establishment of a justice precinct for the people of uMthatha. Merely making adjustments to the magistrates' court continued to postpone and delay the provision of justice to the people of the area.</p> <p>Engage with the Minister of Health and relevant counterparts on the delay of the opening of the clinic at Centuli in uMthatha. A report on such engagement and the detailed site plan, presentation and the reasons for non-payment of the contractor of the clinic had to be sent to the Committee.</p> <p>Discuss with the Ministers of Justice and Correctional Services, Higher Education and Training, and Labour a programmatic approach for the skilling of relevantly graded offenders in prisons. This discussion would be with a view of developing a policy that could assist the programmatic skilling and certification of offenders that would assist their long term re-emergence into society. This would simultaneously assist in the short term, with the maintenance of boilers, plumbing, and other daily tasks at prisons as well as at other government buildings</p> <p>Consider the negative effects of the centralized supply chain management system that negated the speedy maintenance and service provision that the regional offices of DPW had towards client departments across the country.</p> <p>DG and top management of the DPW and PMTE to ensure that the GIAMA was properly implemented. The PMTE to ensure that User and Custodian Asset Management Plans were crafted for all client departments so that proper daily and long terms maintenance was done to all governments immovable assets in which client departments were accommodated.</p> <p>DPW and the Construction Industry Development Board (cidb) to table a status report on the grading of local contractors from different provinces so that they knew from which grade local contractors could be assisted.</p> <p>All public buildings, including schools, provide and cater for people with disabilities.</p>

Item	Date	Subject	Summary of meeting outcomes
Parliamentary Villages; Expanded Public Works Programme job creation	<b>14 November 2017</b>	Parliamentary Villages; Expanded Public Works Programme job creation; Public Works briefing, with Deputy Minister	<p>The Committee was briefed by the Department of Public Works (DPW) on the progress made with the Expanded Public Works Programme (EPWP), and on the status of the prestige accommodation programme at the Parliamentary villages.</p> <p>The Committee expressed concern over whether the DPW had the skills and capacity to achieve its EPWP targets, and advised that future targeted achievements match budgeted expenditure.</p> <p>The Chairperson mandated the DPW to send written reports on the questions and concerns that had not been addressed. It should inform the Committee about public works programmes that had the potential to assist communities, as this would enable the Committee to motivate why these programmes needed to receive grants.</p>
cidb	<b>22 November 2017</b>	cidb on Contractors Grading Register criteria; Construction industry job losses; Women-owned construction companies	<p>The Committee observed that DPW was not transforming the construction sector because it needed to deliver on its projects and have clean audits hence, it employed trusted contractors and this led to fewer developments in the construction sector.</p> <p>The Committee remarked that the core of the matter was that the construction sector in South Africa needed to change for the better and stated that it expected DPW to bring the needed legislation to ensure the cidb played a better role in the construction sector.</p> <p>The Committee asked DPW and the cidb to assist upcoming contractors and ensure that the laws being reviewed empowered upcoming contractors.</p>
Construction Sector: small businesses/cooperatives challenges	<b>28 November 2017</b>	Construction Sector: small businesses/cooperatives challenges; Black Business Council; cidb, CBE, BECGSA, Department of Public Works	<p>The Expanded Public Works Programme (EPWP) unit of the DPW briefed the Committee on the Yuku'uphile learnership programme for contractors and supervisors, the EPWP enterprise development programme, the contractor incubator programmes, and other DPW supply chain interventions.</p> <p>The Committee requested copies of contracts that had a value in excess of billions of rands that had been awarded since 1 April 2017 to see if they reflected transformation. DPW must compel other departments to give contracts to emerging black businesses, rather than bigger companies, in order to assist ordinary South Africans by empowering emerging black entrepreneurs.</p>

Item	Date	Subject	Summary of meeting outcomes
Expropriation Bill	<b>30 January 2018</b>	Expropriation Bill: stakeholder inputs, with Deputy Minister	<p>The briefing by the DPW was similar to the issues raised by the Parliamentary Legal Advisor. Its contention was that the President required Parliament to address four key issues in terms of the referred Bill:</p> <ol style="list-style-type: none"> <li>1) Whether there was any substance to the concern raised that the negotiating and final mandate procedures in some provincial legislatures were flawed;</li> <li>2) Was there (in)sufficient public consultation in the NCOP prior to the adoption of the Bill;</li> <li>3) The reasons why the Bill was not referred to the NHTL;</li> <li>4) The merit of the submissions insofar as they related to the procedural issues outlined above.</li> </ol> <p>To address the concerns raised by the President, the Department made some recommendations to the Committee. These included that the Committee acknowledge the similarities between the unreasonable public participation process that had taken place in the NCOP and provincial legislatures in the Lamosa judgment and the Expropriation Bill (B4D-2015); that it identify and implement all procedural guidelines and yardsticks enunciated in the Lamosa and Doctors for Life cases; and that Parliament has to develop standards for engaging with the public in the public participation process.</p> <p>The Deputy Minister proposed a process in which the way forward on the Expropriation Bill would be “parked,” and that all concerned should await the broader outcome of a more appropriate strategy on expropriation and land.</p>
Small Harbour challenges	<b>06 February 2018</b>	Small Harbour challenges: stakeholder engagement	<p>The Committee was extremely disappointed about the lack of inter-departmental working relationship between all the government departments that were responsible for operations of small harbours around South Africa. All departments had to work together and co-operate to make small harbours productive and accessible to people.</p> <p>The Committee has therefore requested the Department of Public Works, which was the coordinating department to submit a detailed consolidated report from all the departments that were responsible to address the challenges faced by small harbours. The report should respond and address all the questions and concerns that were raised by members of the Committee.</p>

Item	Date	Subject	Summary of meeting outcomes
Department of Public Works regional workshops resuscitation	<b>20 February 2018</b>	Department of Public Works regional workshops resuscitation	<p>Members asked why only two regions had been prioritised, as this could lead to the marginalisation of certain regions like Mmabatho and Mthatha.</p> <p>They expressed concern about the neglect of safety components in workshops.</p> <p>They asked why retired professionals were recruited at the expense of young unemployed youths, while acknowledging the experience of retired professionals as vital. Was there a concerted effort by the DPW and client departments to repair dilapidating buildings? What was the response time of the DPW to attend to urgent repair work? Did it have plans for experiential learning and mentorship, and how long did it take to train artisans?</p> <p>The Committee also asked questions about the cost of maintenance, and the criteria for selecting work and the artisans for projects. Costing and budgeting should be considered in the operational requirements of the DPW's programme.</p> <p>The Committee also complained about the despicable state of some government properties. It said the DPW must work with other departments to give contracts to smaller enterprises, rather than bigger companies, in order to assist ordinary South Africans.</p> <p>The Department was told it had to consider the concerns raised by Members, and to update the Committee on the progress of the programme on a quarterly basis.</p>
Public Works White Papers	<b>27 February 2018</b>	Public Works White Papers Review: progress report; with Deputy Minister	<p>Members of the Committee expressed concern on the delays which had resulted in missed deadlines and the continued state of limbo in which the DPW found itself.</p> <p>The Committee urged the DPW to make better progress on the review project and that, notwithstanding the challenges around expertise, the delays were unfair to people on the ground.</p>
Assets on immovable asset register	<b>13 March 2018</b>	Assets on immovable asset register: Department briefing with Deputy Minister	<p>The Committee queried discrepancies around the figure of state land parcels, maintenance of government properties, creative uses for unoccupied government buildings and if the ARCHIBUS database was up and running.</p> <p>A concern was raised sharply on the agreement between DPW and DIRCO and if the function taken over by DIRCO was a constitutional delegation of function – Members wanted to know what state the assets held abroad were in, who was responsible for their maintenance and clarity on the legislative mandate of DIRCO to purchase and dispose of assets abroad.</p> <p>Members were concerned by the state of buildings rendering key services, such as health and education and unregistered land parcels. Also questioned was the number of land parcels released for land reform and addressing the housing backlog, growth of the property portfolio and surplus assets sold through tender.</p>

Item	Date	Subject	Summary of meeting outcomes
Operation Bring Back":	<b>20 March 2018</b>	Operation Bring Back": Progress Report, with Minister & Deputy Minister.	<p>The Committee received progress report on Operation Bring Back (OBB).</p> <p>Members were concerned that the DPW had done an internal investigation into ex staff of the DPW who transferred properties into their names. Would it not have been best to have done the investigation externally?</p> <p>Members stated that perhaps the findings of the internal investigation needed to be audited by the Auditor General of SA (AGSA).</p> <p>Members raised concern that perhaps there were staff of the DPW and other government officials involved in the illegal transfer of properties. Perhaps a different approach was needed on investigations.</p> <p>Members alerted the DPW to the fact that there were some of its properties abroad being used by crime syndicates. In this instance the member was referring to SA's old chancery building in Bonn, Germany.</p> <p>The DPW needed to provide the Committee with a report of unutilised properties in provinces and municipalities. Included in the report should a list of unutilised properties abroad.</p> <p>Members were concerned about persons purchasing government properties for cheap and after a while selling it off for huge profit. The Chairperson suggested that a hotline be set up where whistleblowers could report cases.</p>
Property Management Trading Entity	<b>27 March 2018</b>	PMTE Progress on Operationalisation and Strategic Considerations to Reach Financial Sustainability	<p>The Committee was concerned that the PMTE was charging below market rate prices and requested explanation for user charges/tariffs.</p> <p>There was great concern that the Entity was operating at a loss, yet asking for more funding, and was generally a poorly conceived idea on the part of the Department.</p> <p>It was noted that a number of assets were unused and steadily declining in value due to lack of maintenance.</p> <p>Members emphasised that the PMTE needed the requisite skilled and competent individuals to assist in mitigating some of the glaring challenges.</p> <p>It was suggested that the Committee should consider recommending to Parliament that criminal charges be preferred against the leadership of the PMTE for failure to implement its mandate.</p> <p>Members questioned the filling of critical posts by skilled individuals, contradictory figures, itemised billing, overdraft and the Immovable Asset Register.</p> <p>Members wanted to know when Treasury requirements would be met so that the PMTE could be deemed fully operational.</p>

Item	Date	Subject	Issues To Note
Department of Public Works on its Annual Performance Plan	<b>14 November 2017</b>	Briefing by the Department of Public Works (DPW) on its revised Strategic Plan and Annual Performance Plan 2017/18	Members expressed disappointment at the absence of the Minister and Deputy Minister of Public Works as well as the Director-General from the meeting.  The Chairperson made an announcement that the meeting would not continue without the Minister or the Deputy Minister of Public Works. The briefing would be rescheduled to the 20 June 2017 when the Minister or Deputy Minister would be able to attend.
Public Works on its reviewed Annual Performance Plan; Stakeholder consultation, with Deputy Minister	<b>20 June 2017</b>	Public Works on its reviewed Annual Performance Plan; Stakeholder consultation, with Deputy Minister	The Chairperson stated that in the future, when the DPW scheduled briefings with the Portfolio Committee on Public Works, briefing documents should be sent to the Select Committee as well. This would allow Members to peruse the documents well ahead of time.  DPW was asked to put pressure on its contractors not to do shabby work. Members stressed the importance of fairness and transparency when it came to the process of allocating EPWP jobs to members of the public.  Another concern of the Committee was that the salary scales of EPWP employees varied from province to province.
Annual Reports 2016/17	<b>31 October 2017</b>	Independent Development Trust 2016/17 Annual Report, with Minister of Public Works	The committee was appraised of the fact that IDT was currently in a transition mode from a grant funded to a self-funding mode of operations.  The Draft Turnaround Plan and Strategy would be backed by a financial model which would map out the actual turning point for the IDT where its revenue would sufficiently cover its operating overheads.  The IDT would therefore have to secure an adequate revenue pipeline with a baseline programme expenditure of R7bn per annum to avoid any bailout from National Treasury/DPW. The IDT would therefore operate at a restricted overhead base of R350m per annum to breakeven or less to generate reserves.

**Table 3.2: Scopa Resolutions**

The Department did not appear before SCOPA during the period under review.

### 3.8 Prior modifications to audit reports

DPW	Nature of Emphasis of Matter	FY in which it first arose	Progress made in clearing / resolving the matter
1	Reliability of the performance information	<b>2015/16</b>	Controls in place to address reliability of information through combined assurance

PMTE	Nature of Emphasis of Matter	FY in which it first arose	Progress made in clearing / resolving the matter
1	<ul style="list-style-type: none"> <li>Qualification with 2 Findings</li> <li>Compliance with 7 Findings</li> </ul>	<b>2013/14</b>	The findings on maintenance accrual was resolved in the current year by enhancing the review processes of financial inputs received and implementing a provision model to address the probable liability that may exist. For the remaining matters, a series of interventions are already underway to address these challenges, such as improving the quality of the data utilised for inputs to the financial statements, weekly engagements to monitor and manage the progress with all branches providing financial inputs, implementation of more regular reporting procedures, implementing additional review processes and enhancements to existing systems to improve reporting.
2	Performance Information: Disclaimer (first year of opinion)	<b>2015/16</b>	Controls in place to address reliability of information through combined assurance

### 3.9 Internal Control Unit

The Department has developed a number of frameworks including governance frameworks for continuous performance improvement while meeting governance obligations and legislative requirements, integrity framework in line with the Department's position on zero tolerance for wrongdoings, corrupt conduct or fraudulent activities and a compliance framework that proactively and systematically seeks to manage compliance. The compliance framework enhances the Departments efforts in administering MPAT where it links Strategy and objectives, Policy and process, Resources and people, and Culture.

The compliance function and the internal control unit in the Department have continued with the assessment of the conformity of internal codes of conduct, policies and internal procedures with legal obligations and best practices applicable to its business of Public Works.

The implementation of the system will mainly assume an approach of self-monitoring and assessment. This will complement independent monitoring which is dependent on human intervention and electronic monitoring, to reduce the dependency on human resources. The system will be decentralized, with central supervision, and will initially focus on high risk areas including SCM, GIAMA and OHS compliance.

### 3.10 Internal Audit and Audit Committees

#### Key activities and objectives of Internal Audit

Objective of Internal Audit is to provide innovative, responsive and effective value add assurance and consulting services by reviewing the adequacy and effectiveness of governance, risk management and control processes and provide recommendations to management on improvements for identified weaknesses.

#### Key Activities

- Develop a risk based Internal Audit Plan and Three Year Rolling Strategic Plan.
- Conduct the audits as per the Internal Audit Plan approved by the Audit Committee as well as any special Management and Audit Committee requests.
- Provide reports with recommendations to improve internal controls, risk management and governance process where shortfalls have been identified.
- Monitor regularly the implementation of recommendations by Management.
- Review the Internal Audit Charter for approval by the Audit Committee.

## Summary of audit work done

In terms of the risk-based Internal Audit Plan approved by the audit committee, all 36 of 36 (100%) planned audits engagements were completed. The Internal Audit found the internal control environment of the PMTE as a whole not effective with control weaknesses identified mainly in the fixed assets management, procurement, revenue management, implementation of the Enterprise Resource System (ERP), reporting against the pre-determined objectives as well as the development of the value chain business processes.

Audit reports were presented to Senior Management for implementation of recommendations on identified weaknesses and Executive Management Committee (ExCo) for noting and monitoring of the implementation. Such reports were further presented at the Audit Committee meetings.

Management actions plans to implement the recommendations in the audit reports were monitored through follow up reviews and or monitoring tools on a quarterly basis. Results were presented to Accountability Management Committee (AMC – ExCo Subcommittee) for Management to account on actions not implementation and subsequently to the Audit Committee.

The Internal Audit activities conducted were free from interference in determining the scope of their audits (advisory or consulting engagements) and during communication of the results.

Majority of the weaknesses identified during the Internal Audit were mainly due to:

- Deficiencies in the system of internal control and/or deviations;
- Non-compliance with laws and regulations;
- Inadequate planning and budgeting;
- Manual processes that are not automated resulting in material errors;
- Lack of critical technical skills for the PMTE;
- Inadequate document management system; and
- Inadequate and/or ineffective implementation of audit action plans.

## 3.11 Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2018.

### 3.11.1. Audit Committee members and attendance

For the year under review, the Department (Main Vote) and its trading entity, the Property Management Trading Entity (PMTE), had a functional Audit Committee established in terms of the Public Finance Management Act (PFMA). Collectively, we refer to the Department and the PMTE as the Institution. The Committee consists of six members, all of whom are external to the Institution.

### 3.11.2 The meetings were attended as follows:

No of members	Name of member	Qualifications	Date appointed Attended	Number of planned meetings	Number of meetings attended
1	Mr Z Luswazi – Chair-person	B.Compt, B.Compt (Hons), CA (SA)	01/10/2012 re-appointed 01/09/2016	9	9
2	Mr C Bunting	N. Diploma Internal Audit and Financial Accounting and Masters in Business Administration (MBA).	01/10/2012 re-appointed 01/04/2016	9	9
3	Ms N Singh	B.Compt, B.Compt (Hons), CA (SA), CCSA, CGAP, Diploma in Forensic Auditing.	01/10/2012 re-appointed 01/04/ 2016	9	8
4	Mr J van Heerden	National Diploma Finance	01/07/2013 re-appointed 01/07/ 2016	9	7
5	Mr B Potgieter	Bcom and MBA	01/04/ 2016	9	9
6	Mr S Madonsela	BSc Eng. (Mechanical)	01/04/2016	9	7



### 3.11.3 Audit Committee Responsibility

The Audit Committee has complied with Section 38(1) (a) (ii) of the Public Finance Management Act (PFMA) (Act No. 1 of 1999) and Treasury Regulation 3.1 in that the Department has and maintains a system of Internal Audit under the control and direction of the Audit Committee complying with and operating in accordance with regulations and instructions prescribed by the PFMA.

The Audit Committee is governed by formal terms of reference, which are reviewed annually and approved by the Executive Authority as required by the PFMA and the Treasury Regulations. For the year under review, the Committee reports that it has duly complied with these terms of reference. These terms of reference are informed by the PFMA, Treasury Guidelines and Good Corporate Governance best practice.

### 3.11.4 Effectiveness of internal control

#### 3.11.4.1 Efficiency and effectiveness of the system of internal control

The PMTE's audit outcomes on the annual financial statements have improved; however the Audit Committee's is of the view that the system of internal control at the Institution has stagnated in relation to prior years. Comparative performance report audit opinion analysis under item 7 below depicts this picture. In summary, the Auditor General's findings on performance information were the following: the under-reporting of performance as well as scope limitation. The internal control system was therefore inadequate to prevent the occurrence of both the under-reporting of performance as well as the inadequacy of the portfolio of evidence supporting the reported performance that resulted in scope limitation.

With respect to the audit of the PMTE's annual financial statements; in their executive summary of the audit report; the Auditor General reports that although there was an improvement in the audit outcome, this was due to corrections made on the annual financial statements as a result of audit findings. The report continues to state that significant corrections (post submission for audit) were made to the annual financial statements in the current year and that this was in respect of items that were qualified in the prior period. The report concludes by stating that without these adjustments, the audit outcome would not have improved.

The view of the Committee therefore, is that the system of internal control operating alongside and in tandem with the necessary accounting systems and controls; was inadequate to proactively eliminate or detect the accounting errors and omissions the Auditor General is referring to. It is our considered view that notwithstanding the marginal improvement in audit

outcomes; the efficiency and effectiveness of the system of internal control at the Institution did not improve in the year under review. The underlying systems, processes and controls are revisited under item 3.11.4.5 below.

#### 3.11.4.2 Risk Management

In recent financial years there has been visible improvements in the Risk Management at the Institution; however, we note that since prior year through to the current year; the Institution has not succeeded in entrenching the culture of the application of risk management to the 'day-to-day managerial activities' at the entity. As a result, some major and critical risk factors remain unidentified and thus not acted upon; notwithstanding their pervasive nature. Therefore, organizational risk maturity at the Institution is not at the desired level. The capacitation of the Risk Management Function would certainly add the required impetus on the effectiveness of risk management at the Institution, however, our submission is that entrenchment of the culture of risk management to day-to-day managerial activities would be a catalyst in achieving the desired level of risk management.

#### 3.11.4.3 Annual Financial Statements

The Institution is continuing to make strides in enhancing the quality of the annual financial statements from year-to-year. At a technical level, there were no changes on the content of the financial statements. This is because the reporting of Property, Plant and Equipment by the PMTE is becoming established at the Institution.

The Main Vote maintained an unqualified audit opinion as in the prior year, while the PMTE's audit outcome improved from an adverse opinion in the prior year, to a qualified opinion in the current year. We revisit the audit report in item 3.11.5 below.

#### 3.11.4.4 Report of the Auditor General

The Audit Committee concurs with and accepts the conclusion and audit opinion of the external auditors. The Committee continues to appreciate the healthy and robust interaction between the Auditor General and Management, that continued in the year under review. The independence of the Auditor General's team has been maintained.

Management is compiling a responsive Audit Action Plan to address the issues highlighted in the audit report and the management letter. The role of the Audit Committee will be to monitor and appraise the Accounting Officer and the Executive Authority on the implementation of the Audit Action Plan.

#### **3.11.4.5 Quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act**

The Main Vote continued to compile and submit quarterly financial statements to the National Treasury and to the Audit Committee; while the PMTE did not prepare any quarterly, half-yearly or interim financial statements in the year under review. This is a function of essentially manually intensive processes of compiling the requisite financial information; this in the absence of well-developed business processes and a suitably developed Enterprise Resource Planning (ERP) System that adequately supports the holistic business of the PMTE. The foregoing compromises the effectiveness of the internal control and accounting control systems and processes.

The direct result of the shortcomings of the financial reporting system referred to above is that the annual financial statements were submitted late, leading to non-compliance with the Public Finance Management Act, Act No 1 of 1999 (the PFMA) section 40(1)(c)(i). Secondly, the financial statements were in certain instances not prepared in accordance with the prescribed financial reporting framework as otherwise required by section 40(1)(a) and (b) of the PFMA.

With respect to the quality of in-year performance information; we report that the quality of the performance information tabled at Audit Committee meetings during the course of the year was inadequate. Accordingly, the Internal Audit raised repetitive findings throughout the financial year in this regard. The final audit report of the Auditor General expanded upon under item 3.11.6 below confirms and conveys the same in-year findings.

#### **3.11.5 Evaluation of financial statements**

We present an overview of the audit outcomes on annual financial statements as well an analysis of the underlying causal factors.

As reported under item 3.11.4.3 above, the Main Vote maintained an unqualified audit report, while the PMTE improved from an adverse opinion to a qualified audit opinion in the year under review.

The basis for the PMTE's qualified audit opinion is as follows:

- That upon valuation, Property, Plant and Equipment was incorrectly valued. This was due to the entity incorrectly utilizing the source data in determining the deemed costs of assets being measured. This is a recurring audit finding, from the prior year.
- The entity did not recognize all outstanding amounts meeting the definition of a liability. This was due to the inadequacy of the system utilised by the entity to maintain records of outstanding payments for goods and services received but not paid at year end. This resulted in the understatement of accrued expenses relating to construction projects.

In addition the Auditor General drew attention to the fact that PMTE may not be a going concern given the fact that current assets exceed current liabilities.

It is a considered view of the Audit Committee that the foregoing findings are as a result of the following factors:

- Lack of adequately suitable capacity in the Asset Management Function geared towards achieving full compliance with GRAP 17 as well as achieving total compliance with the convention of the core Asset Management Function at end-user level.
- The absence of established and adequately researched business processes; functioning within the framework of an equally suitable Enterprise Resource Planning (ERP) System.
- Absence of reasonably effective and relatively efficient compensating manual processes and controls specifically targeting the completeness of accruals, but more significantly achieving complete and timely financial reporting.
- Inability to recover and collect trade debtors, this to improve the entity's working capital and thus address / eliminate going concern issues.

### 3.11.6 Evaluation of the performance management system

As mentioned in item 3.11.4.1 above, the audit outcomes in respect of performance management system remained the same when compared to prior year. The following comparative analysis depicts the picture:

#### The Main Vote:

Programme	Prior Year	Current Year	Comment
Programme 3: Expanded Public Works	Qualified audit report.	Qualified audit report.	No change.
Programme 4: Property and Construction and Industry Policy and Research	Unqualified audit report.	Unqualified audit report.	No change.
Programme 5: Prestige Policy	Disclaimer of opinion.	Disclaimer of opinion.	No change.

#### The PMTE:

In the year under review, the Auditor General, reviewed five programmes while in the prior year, only four programmes were reviewed. The current year findings in relation to prior year are as follows:

Programme	Prior Year	Current Year	Comment
Programme 2: Real Estate Investment Services	Not audited.	Unqualified.	N/A
Programme 3: Construction and Project Management	Disclaimer of audit opinion.	Qualified audit opinion.	Improvement.
Programme 4: Real Estate Management	Qualified audit opinion.	Disclaimer of audit opinion.	Regression.
Programme 5: Real Estate Information and Registry Services	Qualified audit opinion.	Unqualified audit opinion.	Improvement.
Facilities Management	Disclaimer of audit opinion.	Adverse audit opinion.	No real change.

Significant improvement remains to be achieved on the planning, coordination and on the overall management of the Performance Management System at the Institution. The Committee believes that only a major overhaul in the organisational culture will achieve the desired outcomes.

### 3.11.7 Internal audit

The Audit Committee is satisfied that the internal audit function has properly discharged its functions and responsibilities during the year under review and is operating in terms of the International Standards for the Professional Practice of Internal Auditing and in accordance with the Internal Audit Charter.

During the year under review, the capacity and the skills base of the Internal Audit Unit have been increased through the appointment of suitably qualified and experienced personnel on a contractual basis. Through the recruitment of this new personnel; the Unit is embarking on a systematic skills transfer process for the benefit of the Unit's existing personnel.

The Unit is progressively maturing in executing its mandate of fulfilling its strategic role at the Institution.

The Chief Audit Executive has direct access to the Committee, primarily through the Chairperson.

### 3.11.8 Auditor-General South Africa

Healthy relations characterized by mutual respect of each other's statutory position continues to prevail amongst the Auditor General, Management, Internal Audit and the Audit Committee.

The Committee reports that it is not aware of any unresolved issues that have been brought to the Committee's attention in the year under review. The Committee further advises that in the year under review; a combined assurance model systematically combining the role of key assurance providers being the Auditor General, Internal Audit and the Governance, Risk and Compliance Branch has been embarked upon. It is anticipated that this initiative will in time mature for the overall benefit of the Institution.

We also report that through the combined assurance model, a new cooperation and reliance strategy whereby the Auditor General is progressively placing reliance on the work of Internal

Audit is well-underway. Accordingly; various modes of reliance, cooperation and assistance have been and continue to be agreed upon and are being implemented. The Committee will continue to monitor and nurture this budding professional relationship which is expected to improve efficiency and save costs.

### 3.11.9 The Departmental Annual Performance Plan

The Committee commends the Institution as was the case in the previous year, on a robust strategic planning process. In respect of the 2018/19 financial year, the Committee reports that it has fulfilled its oversight role in the course of the development of the Annual Performance Plan. In due course; the Committee will be conducting detailed reviews of the appraisals of the 2019/20 financial year's strategic planning cycle and organizational scorecards.

#### 3.11.10 Key strategic focus areas

The Committee has identified the following key strategic focus areas for the Institution in the ensuing financial year:

- Improvement of the level of good corporate governance at the Institution. Practically, that means improving the internal control environment through implementation of effective internal controls, accounting controls, systems and processes.
- Improving the Institution's Performance Management System in its totality.
- Improvement of audit outcomes at the PMTE, focusing on the resolution of current year qualifying areas; potential qualifying areas being the audit areas where possible qualifications in the current year were avoided through effecting audit adjustments and any other high risk areas.

#### 3.11.11 Challenges ahead

The Committee has noted the occurrence of frequent changes in leadership and numerous acting positions especially at Executive Management levels. This instability and lack of continuity contributes negatively to the overall performance of the Institution. The Committee's view is that stability at leadership level will yield positive results for the Institution as a whole.

We itemise and summarise what we believe are key organizational challenges ahead:

- Overhauling the Performance Management System implemented alongside the leadership stability challenge referred to in the opening paragraph above. Practically that means turning the Institution into a high performance centre.
- Implementing well-researched and effective business processes.
- Completing the project of implementing the missing Information Communication Technology platform (the ERP System).
- Implementing adequate and compensating manual internal controls and accounting processes to achieve accurate, complete and holistic financial reporting; this as an interim solution enroute to a complete ERP system. Within this deliverable, implement effective in-year financial reporting at the PMTE.
- Enhancing and capacitating further the asset management function to achieve GRAP compliance and Asset Management best practice.
- Prioritising the recruitment in lieu of vacant critical positions at the PMTE.

#### 3.11.12 Conclusion

The Committee's overall observation is that the level of good governance at the Institution has stagnated. This report has identified, discussed and presented key areas of intervention the Committee believes are critical to achieve a sustainable turnaround. The challenge and the responsibility to implement remains with Management. Our role as an oversight committee will be to monitor and appraise the Accounting Officer on the qualitative implementation of the necessary corrective actions at the Institution (Main vote and PMTE); this in the course of improving organisational good corporate governance and fulfilment of the Institution's mandate.



Z Luswazi CA (SA)

**Chairperson Audit Committee**

**19 September 2018**







## **CHAPTER 4**

# **HUMAN RESOURCE MANAGEMENT**

## 4.1 Introduction

### 4.1.1 Legislations that Governs Human Resource Management

The information provided in this part of the Annual report has been prescribed by Minister for the Public Service and Administration for all departments in the public Service, and it is in line with the following prescripts:

- Public Service Regulations (Chapter 1, Part III J.3 and J.4):
- Public Service Act, 1994
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- Skills Development Act, 1998 (Act No. 97 of 1998)
- Skills Development Levies Act, 1999 (Act No. 9 of 1999)
- Public Finance Management Act, 1999 (Act No. 1 of 1999).

#### • Overview of Human Resources

Human Resources plays a pivotal role in ensuring that the Department of Public Works has adequate and efficient capacity to enhance service delivery and performance. During the year under review, the Department strived to implement its strategic objectives despite the budget cuts.

The information presented in this annual report for 2017/2018 as prescribed by the Public Service Regulations (Chapter 1, Part III J.3 and J.4), is showcasing all the efforts embarked upon to give effect to rendering sound and strategic Human Resource Management and Development services across the department, highlighting challenges as well as interventions undertaken to address such challenges towards ensuring strategic value-add and impact on the department's mandate.

As at 31 March 2017 the establishment of the department had 1 220 posts with 880 positions filled and 340 positions vacant and 203 were appointment additional to the structure. During the period under review, the vacancy rate of the department increased to 27, 90% at the end of the 2017/ 2018 financial year. The main reason for the slightly higher than planned vacancy rate was creation of new positions which are currently not funded and as a result of the budget cuts on employee compensation for the 2017/18 financial year. Some of the posts that were initially earmarked for filling in the 2016/17 financial year had to be placed on hold pending a reprioritization of critical posts in line with the budget allocations.

During the period under review, quite a number of critical senior management and administrative positions were filled, thereby strengthening the capacity in much needed areas, such as in GRC, finance and internal Audit.

#### • Recruitment

The Human Resources team will continue to monitor the management of vacancies on a monthly basis, with a view to downscale the vacancy rate in the Department. The HR unit adopted the performance indicator of filling vacant positions within four months after the closing date of the advertisement. In the past the average time taken to fill vacancies was 10 months, however in the last financial year the Department managed to achieve the target of filling vacant posts within 6 months.

During the period under review, a total of four hundred and sixty two (462) employees joined the department (permanent appointments, contract appointments and transfers) and the majority are between levels 2 to 12, including twenty three (23) members of the Senior Management Service (SMS) and 203 of these appointment were appointments additional to the structure. In the same period, nineteen (19) staff were promoted to higher positions. Due to the process of insourcing the department managed to permanently appoint eight seventy eight (78) security officers who were on contract for many years.

#### • Staff Turn Over

The overall staff turn-over for 2017/2018 decreased, however, by the end of the financial year 2017/2018 the vacancy rate was still high on due to the review of the organizational structure that resulted in new positions being created.

A total of 896 employees, which includes four (4) permanent and twenty (20) contract members of the Senior Management Service (SMS), left the service of the department as a result of resignations, transfers, deaths, retirements, dismissals/ discharges and/or contract expiry during the financial year. Fifteen 15 of those whose contract expired, their contract were later renewed while the process of filling permanent positions was still on. Two (2) people with disabilities left the Department during the reporting year.

To reduce the number of appointments additional to the structure, permanent positions were advertised to allow employees on contract to apply for permanent positions.

#### • Human Resource Plan

The Human Resource Plan was developed and submitted to the DPSA in terms of the revised Strategic HR Planning Framework for the Public Service Vision 2015 as issued by the DPSA. This HR Plan is monitored through the completion of quarterly KPI sheets, which are consolidated in the report that is submitted to the DPSA. Quarterly implementation reports were considered by management to ensure that the identified priority areas were addressed and corrective action taken timeously.

- **Employee Development**

In order to maintain a pool of skilled professionals and upskilling of employees, the department has in 2017/2018 awarded 72 bursaries to deserving employees to further their studies in careers in built environment.

To ensure that employees integrate properly and have a better understanding and functioning of the Public Service, the Compulsory Induction Programme continued, with a total of 7 employees were trained during the period under review.

- **Performance Management**

The Department has experienced strides in the improvement of compliance to the Performance Management and Development System (PMDS). During the period under review, the rate of submission of performance agreements, work plans and bi-annual performance reviews stood at an aggregate of 77% for level 2-12 and 86% for SMS. This speaks to improved

A total of 493 officials were trained in line with the Workplace Skills Plan (WSP). The focus on training the officials was on critical skills required to deliver on the mandate of the Department.

Opportunities were provided for internship, benefiting 536 beneficiaries in the financial year, and continue to maintain a database of all interns from prior years.

alignment between the individual performance agreements and Department's performance plans (Strategic Plan, Annual Performance Plans and Operational Plans).

The overall compliance with regards to the submission of SMS performance agreements has improved vastly during the 2017/2018 financial year.

- **Employment Equity Compliance**

Category	Total Number	Status	Shortfall/Excess (bp)
Target		50%	
<b>EE Status on SMS Members</b>			
Male	56	65.12%	15.12% Exceeding
Female	30	34.88%	15.12% Shortfall
<b>Total</b>	<b>86</b>	<b>100%</b>	
<b>EE Status on non SMS Members</b>			
Males	321	40.43%	9.58% Shortfall
Females	473	59.58%	9.58% Exceeding
<b>Total</b>	<b>794</b>	<b>100%</b>	
<b>People with disabilities</b>			
<b>Target</b>	<b>Total number</b>	<b>Percentage</b>	<b>Shortfall/Excess (bp)</b>
2%	5	0.57%	1.43%

bp = basis point

In terms of the employment equity status, the racial breakdown is as follows: African 826, White 28, Coloured 15 and Indian 11.

The above table indicates the challenges in the recruitment of women at the SMS level to achieve the 50/50 representation target as set by Cabinet for employees at SMS level in the Public Service. During the report year no employee with disabilities were appointed.

In the entire Department women are in the majority (503) however they are less at SMS level, a lot still needs to be done by the department to ensure that there is equal representation

of women at SMS level. Focus should also be given to the recruitment of women at the SMS level and people with disabilities in the department.

- **Wellness**

The Department is committed to promoting quality of work-life, to ensure employees well-being, the department implemented an Employee Health and Wellness Programme and monitors its environment to ensure compliance to environmental wellness and safety standards. A total number of 36 referrals were made and all were attended.



- **Highlights and Achievements**

- (a) The Department was able to successfully implement the approved structure and concluded the process of matching and placement of employees from the old to the new organizational structure.
- (b) The Department embarked on a job evaluation process to ensure that the required skills are met for all identified critical positions.
- (c) The Department followed this with a recruitment strategy to source skills that will drive its priorities and mandate.

The bias was to capacitate critical areas and stabilize senior management levels. A total of 462 positions were filled during the 2017/2018 financial year. 100% positions filled within 6 months as required by DPSA.

- (d) Delegations for the Public Service Act, 1994 and the new Public Service Regulations, 2016 issued during 2016, were signed and implemented during 2017/2018 financial year.
- (e) Signing of the National Framework Agreement with labour union.

- **Challenges faced by the Department and plans to address them**

Challenges faced by the department	Future plans to address challenges
Efforts to align the strategies for the implementation of the mandate of the department necessitated the review of the organizational structure. This has impacted negatively on the management of vacancy rate.	De-activate unfunded positions on Persal
Budget cuts on the compensation of employees continued to impact negatively on the filling of vacant posts in the department	Identify critical funded posts to be filled Develop recruitment plan to reduce vacancy rate
Non –compliance with Employment Equity targets	<ul style="list-style-type: none"> <li>• Develop a diversity management programme and monitor compliance of all components with EE target,</li> <li>• Include EE targets on Performance agreements of all SMS members</li> </ul>
Recruitment and retention of people with disabilities	<ul style="list-style-type: none"> <li>• Recruit people with disabilities in all Branches and give managers time frames</li> </ul>

- **Labour Relations**

The Departmental Bargaining Chamber (DBC) engaged on various issues of mutual interest and resolutions were achieved through the bargaining process. The signing of the amendment to the National Framework Agreement by parties to the

Departmental Bargaining Chamber contributed to the promotion of labour peace within the department as it further presented a platform of structured engagement leading to a successful migration of employees from DPW to PMTE structures.

The Department strives to ensure timeous case management in order to instill discipline and implement appropriate and progressive discipline.

During the year under review, two (2) employees were suspended from work without payment and nine (9) were issued with final written warnings, seven (7) written warnings.

The Department is still struggling to finalized cases within 90 days due to the fact that the vast majority of cases of employees charged requested postponements and also delays in finalizing investigations.

## 4.2 Personnel related expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

**Table 4.2.1 Personnel expenditure by programme**

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
Administration	447 607	231 229	51.7%	431	536
Intergovernmental Coordination	45 419	27 930	61.5%	363	77
Expanded Public Work Programme	2 367 805	148 070	6.3%	729	203
Property & Construction Industry Policy & Research	3 986 848	10 870	0.3%	544	20
Prestige Policy	79 608	26 894	33.8%	611	44
<b>Total as on Financial Systems (BAS)</b>	<b>6 927 287</b>	<b>444 993</b>	<b>6.4%</b>	<b>506</b>	<b>880</b>

In table 4.2.1 Employment includes permanent employees and employees in positions additional to the establishment it excludes all employees not carried against a post e.g. periodic appointments, etc.

**Table 4.2.2 Personnel costs by salary band**

Salary Bands	Compensation of Employees (R'000)	Percentage of Employee Cost	Average Compensation Cost per Employee (R)	Number of Employees
Lower skilled (Levels 1-2)	20	0%	20	1
Skilled (Levels 3-5)	13 930	3%	114	122
Highly skilled production (Levels 6-8)	62 492	14%	332	188
Highly skilled supervision (Levels 9-12)	189 500	43%	667	284
Senior management (Levels 13-16)	95 937	22%	1 010	95
Contract (Levels 1-2)	13 016	3%	181	72
Contract (Levels 3-5)	15 007	3%	238	63
Contract (Levels 6-8)	7 341	2%	524	14
Contract (Levels 9-12)	13 408	3%	559	24
Contract (Levels 13-16)	16 548	4%	973	17
Periodical Remuneration	15 744	4%	10	1 589
Abnormal Appointment	2 052	0%	10	207
<b>Total</b>	<b>444 994</b>	<b>100%</b>	<b>166</b>	<b>2 676</b>

\* NB number of employees in this table includes filled post as well as periodical and abnormal appointments therefore total employees is calculated as **2 676** (Interns and Learners)

**Table 4.2.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme**

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Programme (R'000)
Administration	214 760	92,90	3 728	1,60	6 486	2,80	6 307	2,70	231 230
Expanded public works programme	134 802	91,00	0	0,00	5 066	3,40	3 574	2,40	148 070
Intergovernmental coordination	40 723	145,80	163	0,60	1 086	3,90	594	2,10	27 930
Prestige policy	19 800	73,60	537	2,00	498	1,90	675	2,50	26 894
Prop & cons indus policy reg	18 776	172,70	3	0,00	475	4,40	180	1,70	10 870
<b>Total</b>	<b>428 860</b>	<b>96,40</b>	<b>4 431</b>	<b>1,00</b>	<b>13 611</b>	<b>3,10</b>	<b>11 330</b>	<b>2,50</b>	<b>444 994</b>

**Table 4.2.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band**

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
Lower skilled (Levels 1-2)	4	20,40	0,00	0,00	0	0,00	0	0,00	20
Skilled (Levels 3-5)	11 473	82,40	780,00	5,60	804	5,80	1 015	7,30	13 930
Highly skilled production (Levels 6-8)	55 371	88,60	1 665,00	2,70	2 409	3,90	4 060	6,50	62 492
Highly skilled supervision (Levels 9-12)	181 548	95,80	937,00	0,50	5 312	2,80	4 980	2,60	189 500
Senior management (Levels 13-16)	91 334	95,20	0,00	0,00	4 686	4,90	1 183	1,20	95 937
Contract (Levels 1-2)	14 582	112,00	0,00	0,00	0	0,00	0	0,00	13 016
Contract (Levels 3-5)	15 369	102,40	977,00	6,50	0	0,00	16	0,10	15 007
Contract (Levels 6-8)	7 975	108,60	60,00	0,80	2	0,00	4	0,10	7 341
Contract (Levels 9-12)	13 911	103,80	12,00	0,10	263	2,00	44	0,30	13 408
Contract (Levels 13-16)	17 342	104,80	0,00	0,00	134	0,80	27	0,20	16 548
Periodical Remuneration	17 652	112,10	0,00	0,00	0	0,00	0	0,00	15 744
Abnormal Appointment	2 301	112,10	0,00	0,00	0	0,00	0	0,00	2 052
<b>Total</b>	<b>428 860</b>	<b>96,40</b>	<b>4 431,00</b>	<b>1,00</b>	<b>13 611</b>	<b>3,10</b>	<b>11 330</b>	<b>2,50</b>	<b>444 994</b>

### 4.3 Employment and Vacancies

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:

- programme
- salary band
- critical occupations

**Table 4.3.1 Employment and vacancies by programme**

Programme	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate %	Number of Posts Filled Additional to the Establishment
Administration	722	536	186	25,80	146
Expanded public works programme	278	203	75	27,00	2
Intergovernmental coordination	90	77	13	14,40	41
Prestige policy	89	44	45	50,60	7
Prop & cons indus policy reg	41	20	21	51,20	7
<b>Total</b>	<b>1 220</b>	<b>880</b>	<b>340</b>	<b>27,90</b>	<b>203</b>

**Table 4.3.2 Employment and vacancies by salary band**

Salary Band	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Lower Skilled (Levels 1-2)	1	1	0	0,00	1
Skilled (Levels 3-5)	143	122	21	14,70	1
Highly Skilled Production (Levels 6-8)	319	188	131	41,10	4
Highly Skilled Supervision (Levels 9-12)	449	284	165	36,70	5
Senior Management (Levels 13-16)	118	95	23	19,50	5
Contract (Levels 1-2)	72	72	0	0,00	72
Contract (Levels 3-5)	63	63	0	0,00	63
Contract (Levels 6-8)	14	14	0	0,00	12
Contract (Levels 9-12)	24	24	0	0,00	24
Contract (Levels 13-16)	17	17	0	0,00	16
<b>Total</b>	<b>1 220</b>	<b>880</b>	<b>340</b>	<b>27,90</b>	<b>203</b>

**Table 4.3.3 Employment and vacancies by critical occupations**

Critical Occupations	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Senior managers	118	95	23	19,50	5

## 4.4 Job Evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

Salary Band	Number of Posts	Number of posts Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Lower Skilled (Levels 1-2)	1	0	0,00	0	0,00	0	0,00
Skilled (Levels 3-5)	143	0	0,00	0	0,00	0	0,00
Highly Skilled Production (Levels 6-8)	319	3	0.90	0	0,00	0	0,00
Highly Skilled Supervision (Levels 9-12)	449	16	3.60	0	0,00	0	0,00
Senior Management Service Band A	84	3	3.60	0	0,00	0	0,00
Senior Management Service Band B	25	3	12,00	0	0,00	0	0,00
Senior Management Service Band C	6	2	33.30	0	0,00	0	0,00
Senior Management Service Band D	3	1	33.30	0	0,00	0	0,00
Contract (Levels 1-2)	72	0	0,00	0	0,00	0	0,00
Contract (Levels 3-5)	63	0	0,00	0	0,00	0	0,00
Contract (Levels 6-8)	14	0	0,00	0	0,00	0	0,00
Contract (Levels 9-12)	24	0	0,00	0	0,00	0	0,00
Contract Band A	9	0	0,00	0	0,00	0	0,00
Contract Band B	4	0	0,00	0	0,00	0	0,00
Contract Band C	3	0	0,00	0	0,00	0	0,00
Contract Band D	1	0	0,00	0	0,00	0	0,00
<b>Total</b>	<b>1 220</b>	<b>28</b>	<b>2.30</b>	<b>0</b>	<b>0,00</b>	<b>0</b>	<b>0,00</b>

The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 4.4.1: Profile of employees whose positions were upgraded due to their posts being upgraded**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a Disability	0	0	0	0	0

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**Table 4.4.2: Employees with salary levels higher than those determined by job evaluation by occupation**

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	No of Employees in Department
None	0	0	0	0	0
None	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Percentage of Total Employment	0	0	0	0	0

The following table summarizes the beneficiaries of the above in terms of race, gender, and disability.

**Table 4.4.3: Profile of employees who have salary levels higher than those determined by job evaluation**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a Disability	0	0	0	0	0

## 4.5 Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and critical occupations.

**Table 4.5.1: Annual turnover rates by salary band**

Salary Band	Employment at Beginning of Period (April 2017)	Appointments	Terminations	Turnover Rate %
Lower Skilled (Levels 1-2) Permanent	1	0	0	0,00
Skilled (Levels 3-5) Permanent	45	86	3	6,70
Highly Skilled Production (Levels 6-8) Permanent	180	20	5	2,80
Highly Skilled Supervision (Levels 9-12) Permanent	278	8	4	1,40
Senior Management Service Band A Permanent	54	2	1	1,90
Senior Management Service Band B Permanent	18	4	2	11,10
Senior Management Service Band C Permanent	4	2	0	0,00
Senior Management Service Band D Permanent	2	0	1	50,00
Contract (Levels 1-2) Permanent	504	179	606	120,20
Contract (Levels 3-5) Permanent	117	80	141	120,50
Contract (Levels 6-8) Permanent	42	40	72	171,40
Contract (Levels 9-12) Permanent	27	28	41	151,90
Contract Band A Permanent	7	6	8	114,30
Contract Band B Permanent	1	4	8	800,00
Contract Band C Permanent	2	3	3	150,00
Contract Band D Permanent	1	0	1	100,00
<b>Total</b>	<b>1 283</b>	<b>462</b>	<b>896</b>	<b>69,80</b>

Terminations of 896 includes 811 contract expiries (Contracts ending of Learnerships, Interns, and other contracts). Permanent appointments were made and that resulted in contracts not renewed.

**Table 4.5.2: Annual turnover rates by critical occupation**

Occupation	Employment at Beginning of Period (April 2017)	Appointments	Terminations	Turnover Rate %
Senior managers	78	23	23	35,40

The table below identifies the major reasons why staff left the department.

**Table 4.5.3: Reasons why staff left the department**

Termination Type	Number	% of Total Resignations	% of Total Employment at the end of the period
Death	4	0,40	0,50
Resignation	72	8,00	8,20
Expiry of contract	811	90,50	92,20
Transfers	6	0,70	0,70
Retirement	3	0,30	0,30
<b>Total</b>	<b>896</b>	<b>100,00</b>	<b>101,80</b>

Resignation consists of permanent and contract employees who resigned during 2017/2018 financial year.

**Table 4.5.4: Promotions by critical occupation**

Occupation	Employment at Beginning of Period (April 2017)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Senior managers	78	6	9,20	33	50,80

In this table promotion includes promotion from one level to the next and progression to a higher notch in the same salary level.

**Table 4.5.5: Promotions by salary band**

Salary Band	Employment at Beginning of Period (April 2017)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower Skilled (Levels 1-2),	1	0	0	0	0
Skilled (Levels 3-5)	45	2	4,40	29	64,40
Highly Skilled Production (Levels 6-8)	180	2	1,10	151	83,90
Highly Skilled Supervision (Levels 9-12)	278	6	2,20	248	89,20
Senior Management (Levels 13-16)	78	6	7,70	60	76,90
Contract (Levels 1-2),	504	0	0,00	0	0,00
Contract (Levels 3-5)	117	0	0,00	4	3,40
Contract (Levels 6-8)	42	0	0,00	5	11,90
Contract (Levels 9-12)	27	2	7,40	5	18,50
Contract (Levels 13-16)	11	1	9,10	2	18,20
<b>Total</b>	<b>1 283</b>	<b>19</b>	<b>1,50</b>	<b>504</b>	<b>39,30</b>



## 4.6 Employment Equity

**Table 4.6.1: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2018**

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Officials and Managers	51	1	1	3	25	2	1	2	86
Professionals	79	1	4	2	147	1	0	3	237
Technicians and Associate Professionals	92	4	0	3	129	5	1	2	236
Clerks	63	1	0	3	128	0	3	10	208
Service Shop and Market Sales Workers	58	0	0	0	44	0	0	0	102
Craft and Related Trade Workers	4	0	1	0	0	0	0	0	5
Labourers and Related Workers	6	0	0	0	0	0	0	0	6
<b>Total</b>	<b>353</b>	<b>7</b>	<b>6</b>	<b>11</b>	<b>473</b>	<b>8</b>	<b>5</b>	<b>17</b>	<b>880</b>
Employees with disabilities	2	0	0	1	2	0	0	0	5

This table includes only Contract and Permanent (Excludes Learners and Periodic Appointments)

**Table 4.6.2: Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2018**

Occupational Bands	Male			Female				Total	
	African	Coloured	Indian	White	African	Coloured	Indian		White
Top Management	4	1	0	1	2	0	0	0	8
Senior Management	51	0	1	1	29	2	1	2	87
Professionally qualified and experienced specialists and mid-management	120	4	2	5	143	3	2	5	284
Skilled technical and academically qualified workers, junior management, supervisors, foremen	50	2	0	1	122	1	2	10	188
Semi-skilled and discretionary decision making	61	0	0	0	60	1	0	0	122
Unskilled and defined decision making	0	0	0	0	1	0	0	0	1
Contract (Top Management)	3	0	0	1	0	0	0	0	4
Contract (Senior Management)	8	0	0	1	4	0	0	0	13
Contract (Professionally Qualified)	9	0	3	1	10	1	0	0	24
Contract (Skilled Technical)	4	0	0	0	10	0	0	0	14
Contract (Semi-Skilled)	24	0	0	0	39	0	0	0	63
Contract (Unskilled and defined decision making)	19	0	0	0	53	0	0	0	72
<b>Total</b>	<b>353</b>	<b>7</b>	<b>6</b>	<b>11</b>	<b>473</b>	<b>8</b>	<b>5</b>	<b>17</b>	<b>880</b>

**Table 4.6.3: Recruitment**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	1	0	0	0	2
Senior Management	4	0	0	0	2	0	0	0	6
Professionally qualified and experienced specialists and mid-management	5	0	0	1	2	0	0	0	8
Skilled technical and academically qualified workers, junior management, supervisors, foreman	7	0	0	0	13	0	0	0	20
Semi-skilled and discretionary decision making	49	0	0	0	37	0	0	0	86
Contract (Top Management)	1	1	0	1	0	0	0	0	3
Contract (Senior Management)	7	0	0	1	2	0	0	0	10
Contract (Professionally qualified)	11	0	4	2	11	0	0	0	28
Contract (Skilled technical)	11	0	0	0	29	0	0	0	40
Contract (Semi-skilled)	33	0	0	0	47	0	0	0	80
Contract (Unskilled)	55	0	0	0	123	1	0	0	179
<b>Total</b>	<b>184</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>267</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>462</b>

**Table 4.6.4: Promotion (Includes promotion to salary level and progressions to another notch within the Salary Level)**

Occupational Bands	Male			Female			Total		
	African	Coloured	Indian	White	African	Coloured		Indian	White
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	33	0	1	0	25	2	2	2	65
Professionally qualified and experienced specialists and mid-management	109	4	2	4	129	1	1	4	254
Skilled technical and academically qualified workers, junior management, supervisors, foremen	40	2	0	0	99	2	1	9	153
Semi-skilled and discretionary decision making	11	0	0	0	19	1	0	0	31
Contract (Top Management)	1	0	0	0	0	0	0	0	1
Contract (Senior Management)	2	0	0	0	0	0	0	0	2
Contract (Professionally qualified)	2	0	3	0	2	0,	0	0	7
Contract (Skilled technical)	2	0	0	0	3	0	0	0	5
Contract (Semi-skilled)	2	0	0	0	2	0	0	0	4
Total	202	6	6	4	280	6	4	15	523
Employees with disability	0	0	0	1	2	0	0	0	3

**Table 4.6.5: Terminations**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	1	0	0	1	1	0	0	0	3
Professionally qualified and experienced specialists and mid-management	0	0	0	0	4	0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen	0	0	0	0	3	0	0	2	5
Semi-skilled and discretionary decision making	3	0	0	0	0	0	0	0	3
Contract (Top Management)	2	1	0	1	0	0	0	0	4
Contract (Senior Management)	9	0	0	3	4	0	0	0	16
Contract (Professionally qualified)	18	0	7	3	12	0	0	1	41
Contract (Skilled technical)	22	0	0	0	50	0	0	0	72
Contract (Semi-skilled)	76	0	0	0	64	0	1	0	141
Contract (Unskilled)	209	4	0	0	386	6	0	1	606
<b>Total</b>	<b>341</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>524</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>896</b>
Employees with disabilities	1	0	0	0	1	0	0	0	2

**Table 4.6.6: Disciplinary action**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Suspended without payment	2	0	0	0	0	0	0	0	2
Final Written Warning	5	0	0	0	4	0	0	0	9
Written Warning	5	0	0	0	2	0	0	0	7
<b>Total</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>

**Table 4.6.7: Skills development**

Occupational Categories	Male			Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White
Legislators, Senior Officials and Managers	41	0	1	1	33	0	0	3
Professionals	38	0	0	2	60	4	0	0
Technicians and Associate Professionals	3	0	0	0	4	0	0	0
Clerks	34	0	0	0	180	1	2	6
Service and Sales Workers	47	0	0	0	29	0	0	0
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0
Craft and related Trades Workers	0	0	0	0	0	0	0	0
Plant and Machine Operators and Assemblers	0	0	0	0	0	0	0	0
Elementary Occupations	0	0	0	0	4	0	0	0
<b>Employees with disabilities</b>	0	0	0	0	1	0	0	1
<b>Total</b>	<b>163</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>311</b>	<b>5</b>	<b>2</b>	<b>10</b>
								<b>495</b>

## 4.7 Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability, salary bands and critical occupations.

**Table 4.7.1 Performance Rewards by race, gender and disability**

Demographics	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	242	471	51,40	3 113	12 864
African, Male	199	351	56,70	2 716	13 648
Asian, Female	3	5	60,00	37	12 297
Asian, Male	6	6	100,00	189	31 576
Coloured, Female	6	8	75,00	172	28 736
Coloured, Male	3	7	42,90	43	14 174
Total Blacks, Female	251	484	51,90	3 322	13 237
Total Blacks, Male	208	364	57,10	2 948	14 172
White, Female	17	17	100,00	272	16 027
White, Male	4	10	40,00	52	13 100
Employees with a disability	2	5	40,00	61	30 267
<b>Total</b>	<b>482</b>	<b>880</b>	<b>54,80</b>	<b>12 925</b>	<b>13 808</b>

**Table 4.7.2 Performance Rewards by salary band for personnel below Senior Management Service**

Salary Band	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Lower skilled (Levels 1-2)	1	1	100,00	3	2 894
Skilled (Levels 3-5)	96	122	78,70	297	3 089
Highly skilled production (Levels 6-8)	136	188	72,30	1 184	8 706
Highly skilled supervision (Levels 9-12)	201	284	70,80	3 459	17 207
Contract (Levels 1-2)	0	72	0,00	0	0
Contract (Levels 3-5)	8	63	12,70	37	4 611
Contract (Levels 6-8)	3	14	21,40	23	7 717
Contract (Levels 9-12)	7	24	29,20	149	21 226
<b>Total</b>	<b>452</b>	<b>768</b>	<b>58,90</b>	<b>5 151</b>	<b>11 395</b>

**Table 4.7.3 Performance Rewards by critical occupation**

Critical Occupations	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Senior managers	30	112	26,80	1 505	50 169,20

**Notes**

The CORE classification, as prescribed by the DPSA, should be used for completion of this table.

**Table 4.7.4 Performance related rewards (cash bonus), by salary band for Senior Management Service**

SMS Band	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Band A	19	72	26,40	789	41 535,20
Band B	11	28	39,30	715	65 082,40
Band C	0	8	0,00	0	0,00
Band D	0	4	0,00	0	0,00
<b>Total</b>	<b>30</b>	<b>112</b>	<b>26,80</b>	<b>1 505</b>	<b>50 169,20</b>

SMS was paid performance bonuses in the 2017/18 cycle for the 2016/17 cycle.

## 4.8 Foreign Workers

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

**Table 4.8.1 Foreign workers by salary band**

Salary Band	1 April 2017		31 March 2018		Change	
	Number	% of Total	Number	% of Total	Number	% Change
Highly skilled supervision (Levels 9-12)	4	44,40	4	44,40	0	0,00
Senior management (Levels 13-16)	4	44,40	4	44,40	0	0,00
Skilled (Levels 3-5)	1	11,10	1	11,10	0	0,00
<b>Total</b>	<b>9</b>	<b>100,00</b>	<b>9</b>	<b>100,00</b>	<b>0</b>	<b>0,00</b>

**Table 4.8.2 Foreign workers by major occupation**

Major Occupation	1 April 2017		31 March 2018		Change	
	Number	% of Total	Number	% of Total	Number	% Change
Administrative office workers	1	11,10	2	22,20	1	0,00
Information technology personnel	0	0,00	1	11,10	1	0,00
Professionals and managers	8	88,90	6	66,70	-2	0,00
<b>Total</b>	<b>9</b>	<b>100,00</b>	<b>9</b>	<b>100,00</b>	<b>0</b>	<b>0,00</b>

## 4.9 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

**Table 4.9.1 Sick leave**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Number of days with Medical Certification
Contract (Levels 1-2)	75	78,70	24	1,20	3	34	59
Contract (Levels 3-5)	35	74,30	10	0,50	4	147	26
Contract (Levels 6-8)	435	73,10	104	5,40	4	270	318
Contract (Levels 9-12)	225	57,80	77	4,00	3	268	130
Contract (Levels 13-16)	127	74,00	45	2,30	3	316	94
Lower skilled (Levels 1-2)	1 121	75,70	388	20,00	3	493	849
Skilled (Levels 3-5)	1 131	83,10	318	16,40	4	756	940
Highly skilled production (Levels 6-8)	2 069	73,10	483	24,90	4	2 694	1 513
Highly skilled supervision (Levels 9-12)	1 886	75,20	391	20,20	5	5 056	1 419
Senior management (Levels 13-16)	458	80,80	98	5,10	5	1 764	370
<b>Total</b>	<b>7 562</b>	<b>75,60</b>	<b>1 938</b>	<b>100,00</b>	<b>4</b>	<b>11 798</b>	<b>5 718</b>

**Table 4.9.2 Disability leave (temporary and permanent)**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of days with medical certification
Lower skilled (Levels 1-2)	48	100,00	4	30,80	12	25	48
Skilled (Levels 3-5)	158	100,00	2	15,40	79	95	158
Highly skilled production (Levels 6-8)	191	100,00	4	30,80	48	234	191
Highly skilled supervision (Levels 9-12)	57	100,00	2	15,40	29	166	57
Senior management (Levels 13-16)	2	100,00	1	7,70	2	9	2
<b>Total</b>	<b>456</b>	<b>100,00</b>	<b>13</b>	<b>100,00</b>	<b>35</b>	<b>529</b>	<b>456</b>

The table below summarizes the utilization of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 4.9.3 Annual Leave**

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Contract (Levels 1-2)	3 511,44	6	568
Contract (Levels 3-5)	1 808,00	9	205
Contract (Levels 6-8)	1 153,00	7	160
Contract (Levels 9-12)	787,00	6	126
Contract (Levels 13-16)	304,00	7	44
Lower skilled (Levels 1-2)	4 622,92	8	613
Skilled (Levels 3-5)	6 511,00	9	742
Highly skilled production (Levels 6-8)	10 301,92	10	1 039
Highly skilled supervision (Levels 9-12)	10 296,00	12	824
Senior management (Levels 13-16)	2 641,00	12	216
<b>Total</b>	<b>41 936,28</b>	<b>9</b>	<b>4 537</b>

**Table 4.9.4 Capped leave**

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at end of period	Number of Employees who took Capped leave	Total number of capped leave available at end of period
Contract (Levels 1-2)	0	0	0	0	0
Contract (Levels 3-5)	0	0	0	0	0
Contract (Levels 6-8)	0	0	0	0	0
Contract (Levels 9-12)	0	0	40	0	40
Contract (Levels 13-16)	0	0	0	0	0
Skilled (Levels 3-5)	34	17	23	2	23,29
Highly skilled production (Levels 6-8)	13	4	38	3	955,19
Highly skilled supervision (Levels 9-12)	10	3	32	3	1 343,12
Senior management (Levels 13-16)	0	0	43	0	1 244,51
<b>Total</b>	<b>57</b>	<b>7</b>	<b>37</b>	<b>8</b>	<b>3 606,11</b>

The following table summarise payments made to employees as a result of leave that was not taken.

**Table 4.9.5 Leave payouts**

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Capped leave payouts on termination of service for current financial year	3 330	162	20 556,00
Current leave payout on termination of service for current financial year	275	15	18 333,00
Leave payout for current financial year due to non-utilisation of leave for the previous cycle	27	1	27 000,00
<b>Total</b>	<b>3 632</b>	<b>178</b>	<b>20 404,00</b>



## 4.10 HIV/AIDS & Health Promotion Programmes

**Table 4.10.1 Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Workers in the construction industry are relatively at risk. Migratory labour force and labour camps commonly employed by the industry contributes to the spread of HIV and STI in the industry and the communities in which it does business.	As custodian and main player in the construction sector, the National Department of Public Works (DPW) developed an HIV/AIDS Strategy for the construction sector to protect and support the industry's workforce

**Table 4.10.2 Details of Health Promotion and HIV/AIDS Programmes**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		Mr RM Mahlatjie: Director: Organisational Development
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		There is a dedicated unit within OD consisting of 16 employees (5 at Head Office & 11 located at Regional Offices). (Budget for goods & services = R556 000.00pa excluding compensation budget)
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		Responsive Programs Addressing psycho-social health and wellness issues are in place
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		A department-wide committee constituted by HR representatives from 11 regional offices established
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		The departmental HIV and AIDS Policy are articulate on issues of human rights and fair labor practices.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		Stigma Mitigation programme is in place. Key elements include:-Knowledge, Attitudes and Practices surveys; Dialogues and Peer education.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Yes		The department collaborates with GEMS and NGOs in providing on-site opportunities for health screening, HIV Counseling and Testing and TB screening. Screenings for glucose, cholesterol and blood pressure conducted. 1778 (HC, HCT and TB survey).
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Utilization rate of Health and Wellness services. - Number of employees attending wellness events. - Number of wellness events, workshops and training conducted. - Sick leave utilization (reduction).- Number of employees living openly with HIV

## 4.11 Labour Relations

**Table 4.11.1 Collective agreements**

Subject Matter	Date
National Framework Agreement (NFA) amendments	Approved on 27 November 2017

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 4.11.2 Misconduct and disciplinary hearings finalized**

Outcomes of disciplinary hearings	Number	% of Total	Total
Suspension from work without payment	2	11,11	2
Final written warnings	9	50,00	9
Written warnings	7	38,80	7
<b>Total</b>	<b>18</b>	<b>100,00</b>	<b>18</b>

**Table 4.11.3 Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of Total	Total
Absent from work without reason or permission	5	28.00	5
Non-compliance with scm/procurement procedures	2	11.00	2
Non-compliance with the pmds and fleet management policy/directives	2	11.00	2
Misuse, abuse or unauthorise use of state property	1	6.00	1
Negligence / dereliction of duties	6	33.00	6
Failure to carry-out lawful instructions/insubordination	2	11.00	2
<b>Total</b>	<b>18</b>	<b>100.00</b>	<b>18</b>

**Table 4.11.4 Grievances logged**

Number of grievances addressed	Number	% of Total	Total
Not resolved	0	0.00	0
Resolved	6	100.00	6
<b>Total</b>	<b>6</b>	<b>100.00</b>	<b>6</b>

**Table 4.11.5 Disputes logged**

Number of disputes addressed	Number	% of Total
Upheld	0	0.00
Dismissed	0	0.00
<b>Total</b>	<b>0</b>	<b>0.00</b>

**Table 4.11.6 Strike actions**

Strike Actions
None
<b>0</b>

**Table 4.11.7 Precautionary suspensions**

Precautionary Suspensions
None
<b>0</b>

## 4.12 Skills development

This section highlights the efforts of the department with regard to skills development.

**Table 4.12.1: Training needs identified**

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	30	50	6	56
Legislators, senior officials and managers	Male	56	20	10	30
Professionals	Female	151	30	10	40
Professionals	Male	86	55	5	60
Technicians and associate professionals	Female	137	89	30	119
Technicians and associate professional	Male	99	143	20	163
Clerks	Female	140	180	20	200
Clerks	Male	67	80	50	130
Service and sales workers	Female	0	22	10	32
Service and sales workers	Male	0	10	2	12
Skilled agriculture and fishery workers	Female	44	0	0	0
Skilled agriculture and fishery workers	Male	58	0	0	0
Craft and related trades workers	Female	1	1	0	1
Craft and related trades workers	Male	5	2	0	2
Elementary occupations	Female	0	0	0	0
Elementary occupations	Male	6	0	0	0
Gender sub totals	Female	503	372	76	448
Gender sub totals	Male	377	310	87	397
<b>Total</b>		<b>880</b>	<b>682</b>	<b>163</b>	<b>845</b>

**Table 4.12.2 Training provided for the period**

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	30	7	29	36
Legislators, senior officials and managers	Male	56	5	38	43
Professionals	Female	151	18	46	64
Professionals	Male	86	15	25	40
Technicians and associate professionals	Female	137	1	4	5
Technicians and associate professional	Male	99	0	2	2
Clerks	Female	140	57	132	189
Clerks	Male	67	22	12	34
Service and sales workers	Female	0	27	2	29
Service and sales workers	Male	0	47	0	47
Skilled agriculture and fishery workers	Female	44	0	0	0
Skilled agriculture and fishery workers	Male	58	0	0	0
Craft and related trades workers	Female	1	0	0	0
Craft and related trades workers	Male	5	0	0	0
Elementary occupations	Female	0	0	4	4
Elementary occupations	Male	6	0	0	0
Gender sub totals	Female	503	110	217	327
Gender sub totals	Male	377	89	77	166
<b>Total</b>		<b>880</b>	<b>199</b>	<b>294</b>	<b>493</b>

**Table 4.12.3 Internships**

Occupational Categories	Gender	Employment	Internships	Total
Legislators, senior officials and managers	Female	30	0	0
Legislators, senior officials and managers	Male	56	0	0
Professionals	Female	151	0	0
Professionals	Male	86	0	0
Technicians and associate professionals	Female	137	0	0
Technicians and associate professional	Male	99	0	0
Clerks	Female	140	329	329
Clerks	Male	67	150	150
Service and sales workers	Female	0	0	0
Service and sales workers	Male	0	0	0
Skilled agriculture and fishery workers	Female	44	0	0
Skilled agriculture and fishery workers	Male	58	0	0
Craft and related trades workers	Female	1	0	0
Craft and related trades workers	Male	5	0	0
Elementary occupations	Female	0	0	0
Elementary occupations	Male	6	0	0
Gender sub totals	Female	503	329	329
Gender sub totals	Male	377	150	150
<b>Total</b>		<b>880</b>	<b>479</b>	<b>479</b>

## 4.13 Injury on duty

The following tables provide basic information on injury on duty.

**Table 4.13.1 Injury on duty**

Nature of injury on duty	Number	% of total
Required basic medical attention only	2	100.00
Temporary Total Disablement	0	0.00
Permanent Disablement	0	0.00
Fatal	0	0.00
<b>Total</b>	<b>2</b>	<b>100.00</b>

## Part B – PMTE Human Resource Information

### • Overview Of Human Resources

Human Resources plays a pivotal role in ensuring that the PMTE has adequate and efficient capacity to enhance service delivery and performance. During the year under review, the PMTE strived to implement its strategic objectives despite the budget cuts.

The information presented in this annual report for 2017/2018 as prescribed by the Public Service Regulations (Chapter 1, Part III J.3 and J.4), is showcasing all the efforts embarked upon to give effect to rendering sound and strategic Human Resource Management and Development services across the PMTE, highlighting challenges as well as interventions undertaken to address such challenges towards ensuring strategic value-add and impact on the PMTE's mandate.

As at 31 March 2018 the post establishment of the PMTE has 7 592 posts with 4 750 positions filled and 2 842 positions vacant, out of the 4 750 filled 734 are additional to the structure. During the period under review, the vacancy rate of the PMTE increased to 37.40% at the end of the 2017/18 financial year. The main reason for the slightly higher than planned vacancy rate was creation of new positions which are currently not funded and as a result of the budget cuts on employee compensation for the 2017/18 financial year. Some of the posts that were initially earmarked for filling in the 2016/17 financial year had to be placed on hold pending a reprioritization of critical and technical posts in line with the budget allocations.

### • Recruitment

The Human Resources team will continue to monitor the management of vacancies on a monthly basis, with a view to downscale the vacancy rate in the PMTE. The HR unit adopted the performance indicator of filling vacant positions within four months after the closing date of the advertisement. In the past the average time taken to fill vacancies was 10 months. In the last financial year the PMTE managed to achieve the target of filling vacant posts within 6 months.

During the period under review, a total of seven hundred and four employees were appointed in the PMTE 704 (appointments permanent, contracts and transfers) and the majority are between levels 2 to 12, including twenty-three (23) members of the Senior Management Service (SMS). The tables 4.4.1 below indicates that 1 094 of appointments were made during the reporting year, it is due to the contract renewals that were made and the movement of employees from the DPW establishment to PMTE (contract renewals and movement from DPW to PMTE are indicated as new appointments on PERSAL)

### • Staff Turn Over

The overall staff turn-over for 2017/2018 decreased, however, by the end of the financial year 2017/2018 the vacancy rate was still high due to the review of the organizational structure that resulted in new positions being created and some of those positions are not funded.

A total of 873 employees, which include eight (8) permanent ,contracts and forty two(42) members of the Senior Management Service (SMS )learners and interns left the service of the PMTE as a result of resignations, transfers, deaths, retirements, dismissals/ discharges and/or contract expiry during the financial year.

To reduce the number of appointments additional to the structure, permanent positions were advertised to allow employees on contract to apply for permanent employment. These number also included interns, learners. During the year under review 5 people with disabilities left the PMTE and that reduced the number of people with disabilities.

### • Human Resource Plan

The Human Resource Plan was developed and submitted to the DPSA in terms of the revised Strategic HR Planning Framework for the Public Service Vision 2015 as issued by the DPSA. This HR Plan is monitored through the completion of quarterly KPI sheets, which are consolidated in the report that is submitted to the DPSA. Quarterly implementation reports were considered by management to ensure that the identified priority areas were addressed and timorous corrective action taken.

### • Employee Development

In order to maintain a pool of skilled professionals and upskilling of employees, the PMTE has in 2017/2018 awarded 289 bursaries to deserving employees to further their studies in careers in built environment.

To ensure that employees integrate properly and have a better understanding and functioning of the Public Service, the Compulsory Induction Programme continued, with a total of 82 employees were trained during the period under review.

A total of 1 434 officials were trained in line with the Workplace Skills Plan (WSP). The focus on training the officials was on critical skills required to deliver on the mandate of the PMTE.

Opportunities were provided for internship, benefiting 297 beneficiaries in the financial year, and continue to maintain a database of all interns from prior years.

- **Performance Management**

The PMTE has experienced strides in the improvement of compliance to the Performance Management and Development System (PMDS). During the period under review, the rate of submission of performance agreements, work plans and bi-annual performance reviews stood at an aggregate of 77% for level 2-12 and 86% for SMS. This speaks

to improved alignment between the individual performance agreements and PMTE performance plans (Strategic Plan, Annual Performance Plans and Operational Plans).

The overall compliance with regards to the submission of SMS performance agreements has improved vastly during the 2017/2018 financial year.

- **Employment Equity Compliance**

EE STATUS AT SMS LEVEL			
Category	Total Number	Status	Shortfall
Target		50%	
Male	104	59%	0.9% Exceeding
Female	73	41%	0.9% Shortfall
<b>Total</b>	177	100%	
EE STATUS ON NON SMS MEMBERS			
Males	2 547	55%	0.5% Exceeding
Females	2 026	45%	0.5% Shortfall
<b>Total</b>	4 573	100%	
PEOPLE WITH DISABILITIES			
Target	Total number	Percentage	Shortfall
2%	72	1.28,%	0.72%

In terms of the employment equity status, the racial breakdown is as follows: African 3 905, White 325, Coloured 448 and Indian 72.

The above table indicates the challenges in the recruitment of women at the SMS level to achieve the 50/50 representation target as set by Cabinet for employees at SMS level in the Public Service. During the report year no employee with disabilities were appointed. Focus should also be given to the recruitment of women at the SMS level and people with disabilities in the PMTE.

- **Wellness**

The PMTE is committed to promoting quality of work-life, to ensure employees well-being, the PMTE implemented an Employee Health and Wellness Programme and monitors its environment to ensure compliance to environmental wellness and safety standards. A total number of 36 referrals were made and all were attended.

### Highlights and achievements

- The PMTE was able to successfully implement the approved structure and concluded the process of matching and placement of employees from the old to the new organizational structure.
- The PMTE embarked on a job evaluation process to ensure that the required skills are met for all identified critical positions.
- The PMTE followed this with a recruitment strategy to source skills that will drive its priorities and mandate. The bias was to capacitate critical and technical areas and stabilize senior management levels. A total of 1 092 positions were filled during the 2017/2018 financial year. 100% positions filled within 6 months as required by DPSA.
- Delegations for the Public service Act, 1994 and the new Public Service Regulations, 2016 issued during 2016, were signed and implemented during 2017/2018 financial year.
- Signing of the National Framework Agreement with labour.

- **Challenges faced by the PMTE and plans to address them**

Challenges faced by the PMTE	Future plans to address challenges
Efforts to align the strategies for the implementation of the mandate of the PMTE necessitated the review of the organizational structure. This has impacted negatively on the management of vacancy rate.	De-activate unfunded positions on Persal
Budget cuts on the compensation of employees continued to impact negatively on the filling of vacant posts in the PMTE	Identify critical funded posts to be filled Develop recruitment plan to reduce vacancy rate
Non –compliance with Employment Equity targets	<ul style="list-style-type: none"> <li>• Develop a diversity management programme and monitor compliance of all components with EE target,</li> <li>• Include EE targets on Performance agreements of all SMS members</li> </ul>
Recruitment and retention of people with disabilities	<ul style="list-style-type: none"> <li>• Recruit people with disabilities in all Branches and give managers time frames</li> </ul>

- **Labour Relations**

The PMTE strives to ensure timeous case management in order to instil discipline and implement appropriate and progressive discipline.

During the year under review, five (5) employees were dismissed, eleven (11) were suspended from work without payment and thirty two (32) were issued with final written warnings, forty two (42) written warnings, eleven (11) verbal warnings and two (2) were subjected to corrective counselling.

The department is still struggling to finalised cases within 90 days due to the fact that the vast majority of cases of employees charged requested postponements and also delays in finalising investigations. In compliance with the grievance rules for the Public Service the Labour Relations Directorate resolved 74 grievances for PMTE employees out of a total number of 98 cases reported.

## 4.14 Personnel related expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, overtime, homeowner's allowances and medical aid.

**Table 4.14.1 Personnel expenditure by programme**

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
Administration	925 090	432 845	46,79	414,60	1 044
Construction Project Management	3 973 868	221 756	5,58	399,56	555
Facilities Management Services	3 179 811	577 455	18,16	222,27	2 598
Real Estate Information And Registry Services	26 124	25 566	97,86	405,81	63
Real Estate Investment Services	153 750	132 818	86,39	570,03	233
Real Estate Management Services	6 209 399	199 249	3,21	775,29	257
<b>Total</b>	<b>14 468 042</b>	<b>1 589 689</b>	<b>10,99</b>	<b>334,67</b>	<b>4 750</b>

**Table 4.14.2 Personnel costs by salary band**

Salary Bands	Compensation of Employees Cost including Transfers (R'000)	Percentage of Employee Cost including Transfers	Average Compensation Cost per Employee (R)	Number of Employees
Lower skilled (Levels 1-2)	72 265	4,50	6 022 082	12
Skilled (Levels 3-5)	306 519	19,30	143 233	2 140
Highly skilled production (Levels 6-8)	386 966	24,30	359 634	1 076
Highly skilled supervision (Levels 9-12)	429 840	27,00	681 204	631
Senior management (Levels 13-16)	175 547	11,00	1 097 172	160
Contract (Levels 1-2)	9 725	0,60	226 172	43
Contract (Levels 3-5)	24 381	1,50	133 228	183
Contract (Levels 6-8)	46 056	2,90	383 799	120
Contract (Levels 9-12)	94 398	5,90	539 419	175
Contract (Levels 13-16)	33 885	2,10	1 993 240	17
Other Contracts	10 073	0,60	52 193	193
Periodical Remuneration	32	0,00	1 340	24
<b>Total</b>	<b>1 589 689</b>	<b>100,00</b>	<b>332 989</b>	<b>4 774</b>

\* NB number of employees in this table includes filled post as well as periodical appointments therefore total employees is calculated as 4774. Other contracts are Intern and Learnerships not linked to a specific salary level e.g. paid a stipend.



**Table 4.14.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme**

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Programme (R'000)
Administration	89 399,00	20,70	2 621,00	0,60	3 961,00	0,90	6 292,00	1,50	432 845,00
Construction Project Management	25 291,00	11,40	25,00	0,00	511,00	0,20	510,00	0,20	221 756,00
Facilities Management Services	36 508,00	6,30	1 438,00	0,20	2 616,00	0,50	3 838,00	0,70	577 455,00
Real Estate Information And Registry Services	2 218,00	8,70	0,00	0,00	22,00	0,10	25,00	0,10	25 566,00
Real Estate Investment Services	10 465,00	7,90	40,00	0,00	287,00	0,20	369,00	0,30	132 818,00
Real Estate Management Services	1 132 370,00	568,30	13 551,00	6,80	48 200,00	24,20	65 860,00	33,10	199 249,00
<b>Total</b>	<b>1 296 250,00</b>	<b>81,50</b>	<b>17 675,00</b>	<b>1,10</b>	<b>55 597,00</b>	<b>3,50</b>	<b>76 896,00</b>	<b>4,80</b>	<b>1 589 689,00</b>

**Table 4.14.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band**

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
Lower skilled (Levels 1-2)	50 279,00	69,60	453,00	0,60	6 014,00	8,30	8 929,00	12,40	72 264,99
Skilled (Levels 3-5)	217 465,00	70,90	8 728,00	2,80	21 298,00	6,90	29 518,00	9,60	306 518,61
Highly skilled production (Levels 6-8)	303 845,00	78,50	6 119,00	1,60	14 252,00	3,70	24 011,00	6,20	386 966,15
Highly skilled supervision (Levels 9-12)	360 673,00	83,90	1 749,00	0,40	9 189,00	2,10	12 280,00	2,90	429 839,88
Senior management (Levels 13-16)	150 794,00	85,90	71,00	0,00	4 155,00	2,40	2 089,00	1,20	175 547,49
Contract (Levels 1-2)	9 586,00	98,60	3,00	0,00	0,00	0,00	0,00	0,00	9 725,39
Contract (Levels 3-5)	24 095,00	98,80	51,00	0,20	0,00	0,00	0,00	0,00	24 380,81
Contract (Levels 6-8)	45 005,00	97,70	416,00	0,90	0,00	0,00	0,00	0,00	46 055,89
Contract (Levels 9-12)	91 795,00	97,20	70,00	0,10	391,00	0,40	65,00	0,10	94 398,39
Contract (Levels 13-16)	32 661,00	96,40	16,00	0,00	298,00	0,90	4,00	0,00	33 885,08
Other Contracts	10 019,00	99,50	0,00	0,00	0,00	0,00	0,00	0,00	10 073,16
Periodical Appointments	32,00	99,50	0,00	0,00	0,00	0,00	0,00	0,00	32,16
<b>Total</b>	<b>1 296 250,00</b>	<b>81,50</b>	<b>17 675,00</b>	<b>1,10</b>	<b>55 597,00</b>	<b>3,50</b>	<b>76 896,00</b>	<b>4,80</b>	<b>1 589 689,00</b>

Other contracts are Intern and Learnerships not linked to a specific salary level e.g. paid a stipend

## 4.15 Employment and Vacancies

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:

- Programme
- Salary band
- Critical occupations

**Table 4.15.1 Employment and vacancies by programme**

Programme	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate %	Number of Posts Filled Additional to the Establishment
Administration	1 843	1 044	799	43,40	239
Construction Project Management	1 080	555	525	48,60	201
Facilities Management Services	3 693	2 598	1 095	29,70	209
Real Estate Information And Registry Services	99	63	36	36,40	32
Real Estate Investment Services	480	233	247	51,50	20
Real Estate Management Services	397	257	140	35,30	33
<b>Total</b>	<b>7 592</b>	<b>4 750</b>	<b>2 842</b>	<b>37,40</b>	<b>734</b>

**Table 4.15.2 Employment and vacancies by salary band**

Salary Band	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Lower Skilled (Levels 1-2)	13	12	1	7,70	0
Skilled (Levels 3-5)	3 257	2 140	1 117	34,30	5
Highly Skilled Production (Levels 6-8)t	1 919	1 076	843	43,90	8
Highly Skilled Supervision (Levels 9-12)	1 457	631	826	56,70	6
Senior Management (Levels 13-16)	215	160	55	25,60	0
Contract (Levels 1-2)	236	236	0	0	235
Contract (Levels 3-5)	183	183	0	0	175
Contract (Levels 6-8)	120	120	0	0	117
Contract (Levels 9-12)	175	175	0	0	171
Contract (Levels 13-16)	17	17	0	0	17
<b>Total</b>	<b>7 592</b>	<b>4 750</b>	<b>2 842</b>	<b>37,40</b>	<b>734</b>

**Table 4.15.3 Employment and vacancies by critical occupations**

Critical Occupations	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Architects Town and Traffic Planners, Permanent	102	57	45	44,10	25
Civil Engineering Technicians, Permanent	35	25	10	28,60	18
Electrical and Electronics Engineering Technicians, Permanent	36	12	24	66,70	10
Engineering Sciences Related, Permanent	150	108	42	28	38
Engineers and Related Professionals, Permanent	400	165	235	58,80	49
Quantity surveyors & rela prof not class elsewhere, permanent	24	24	0	0	0

## 4.16 Job Evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**Table 4.16.1 Job Evaluation**

Salary Band	Number of Posts	Number of posts Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Lower Skilled (Levels 1-2)	13	0	0	0	0	0	0
Skilled (Levels 3-5)	3 257	2	0.1	0	0	0	0
Highly Skilled Production (Levels 6-8)	1 919	4	0.2	0	0	0	0
Highly Skilled Supervision (Levels 9-12)	1 457	13	0.9	0	0	0	0
Senior Management Service Band A	170	6	3.5	0	0	0	0
Senior Management Service Band B	38	3	7.9	0	0	0	0
Senior Management Service Band C	7	7	100	0	0	0	0
Contract (Levels 1-2)	236	0	0	0	0	0	0
Contract (Levels 3-5)	183	0	0	0	0	0	0
Contract (Levels 6-8)	120	0	0	0	0	0	0
Contract (Levels 9-12)	175	0	0	0	0	0	0
Contract Band A	10	1	10	0	0	0	0
Contract Band B	2	1	50	0	0	0	0
Contract Band C	5	2	40	0	0	0	0
<b>Total</b>	<b>7 592</b>	<b>39</b>	<b>0.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 4.16.2 Profile of employees whose positions were upgraded due to their posts being upgraded**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a Disability	0	0	0	0	0

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**Table 4.16.3 Employees with salary levels higher than those determined by job evaluation by occupation**

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	No of Employees in Department
None	0	0	0	0	0
None	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Percentage of Total Employment	0	0	0	0	0

The following table summarizes the beneficiaries of the above in terms of race, gender, and disability.

**Table 4.16.4 Profile of employees who have salary levels higher than those determined by job evaluation**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a Disability	0	0	0	0	0

## 4.17 Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and critical occupations.

**Table 4.17.1 Annual turnover rates by salary band**

Salary Band	Employment at Beginning of Period (April 2017)	Appointments	Terminations	Turnover Rate %
Lower Skilled (Levels 1-2) Permanent	1 121	0	13	1,20
Skilled (Levels 3-5) Permanent	954	310	112	11,70
Highly Skilled Production (Levels 6-8) Permanent	973	57	36	3,70
Highly Skilled Supervision (Levels 9-12) Permanent	619	34	42	6,80
Senior Management Service Band A Permanent	125	3	5	4
Senior Management Service Band B Permanent	21	1	2	9,50
Senior Management Service Band C Permanent	2	2	1	50
Contract (Levels 1-2) Permanent	232	311	175	75,40
Contract (Levels 3-5) Permanent	84	104	166	197,60
Contract (Levels 6-8) Permanent	143	106	148	103,50
Contract (Levels 9-12) Permanent	124	150	131	105,60
Contract Band A Permanent	34	12	28	82,40
Contract Band B Permanent	6	3	9	150
Contract Band C Permanent	6	1	5	83,30
<b>Total</b>	<b>4 444</b>	<b>1 094</b>	<b>873</b>	<b>19,60</b>

Appointments include employees on contract that had to be moved from DPW to PMTE which resulted in appointments on the PMTE. The appointment number also includes re-appointments as a result of contract extensions which will reflect on the PERSAL System as an appointments.

**Table 4.17.2 Annual turnover rates by critical occupation**

Occupation	Employment at Beginning of Period (April 2017)	Appointments	Terminations	Turnover Rate %
Architects Town and Traffic Planners	43	25	14	32,60
Civil Engineering Technicians	20	16	11	55,00
Engineering Sciences Related	78	36	7	9,00
Engineers and Related Professionals	163	19	24	14,70
Quantity Surveyors & Rela Prof Not Class Elsewhere	26	1	3	11,50

**Table 4.17.3 Reasons why staff left the department**

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment
Death	29	3,30	0,60
Resignation	212	24,30	4,50
Expiry of contract	525	60,10	11,10
Transfers	1	0,10	0
Discharged due to ill health	5	0,60	0,10
Dismissal-misconduct	6	0,70	0,10
Retirement	95	10,90	2
<b>Total</b>	<b>873</b>	<b>100</b>	<b>18,40</b>

Resignations include employees that resigned from contract positions to assume duty in a permanent position as a result of a recruitment process

**Table 4.17.4 Promotions by critical occupation**

Occupation	Employment at Beginning of Period (April 2017)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Architects Town and Traffic Planners	43	0	0,00	14	32,60
Civil Engineering Technicians	20	0	0,00	4	20,00
Engineering Sciences Related	78	0	0,00	38	48,70
Engineers and Related Professionals	163	0	0,00	54	33,10
Quantity Surveyors & Rela Prof Not Class Elsewhere	26	0	0,00	15	57,70
Architects Town and Traffic Planners	43	0	0,00	14	32,60

Promotion in terms of Critical occupations includes in this table promotions to next salary level as well as progression to a higher notch

**Table 4.17.5 Promotions by salary band**

Salary Band	Employment at Beginning of Period (April 2017)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower Skilled (Levels 1-2),	1 121	0	0	371	33,10
Skilled (Levels 3-5)	954	47	4,90	815	85,40
Highly Skilled Production (Levels 6-8)	973	9	0,90	809	83,10
Highly Skilled Supervision (Levels 9-12)	619	14	2,30	400	64,60
Senior Management (Levels 13-16)	148	5	3,40	127	85,80
Contract (Levels 1-2),	232	0	0	49	21,10
Contract (Levels 3-5)	84	0	0	7	8,30
Contract (Levels 6-8)	143	0	0	32	22,40
Contract (Levels 9-12)	124	0	0	8	6,50
Contract (Levels 13-16)	46	0	0	10	21,70
<b>Total</b>	<b>4 444</b>	<b>75</b>	<b>1,70</b>	<b>2 628</b>	<b>59,10</b>

## 4.18 Employment Equity

**Table 4.18.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2018**

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Officials And Managers	37	0	2	6	18	1	2	4	70
Professionals	234	24	21	68	175	6	1	18	547
Technicians And Associate Professionals	309	15	8	31	438	25	6	62	894
Clerks	230	23	6	19	388	23	8	55	752
Service Shop And Market Sales Workers	36	4	0	2	16	1	1	0	60
Craft And Related Trade Workers	111	38	6	47	30	1	0	0	233
Plant And Machine Operators And Assemblers	49	6	3	0	21	1	0	0	80
Labourers And Related Workers	676	175	7	10	1 137	105	1	3	2 114
<b>Total</b>	<b>1 682</b>	<b>285</b>	<b>53</b>	<b>183</b>	<b>2 223</b>	<b>163</b>	<b>19</b>	<b>142</b>	<b>4 750</b>
Employees with disabilities	25	9	1	13	12	1	0	7	68

**Table 4.18.2 Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2018**

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Officials and Managers	51	1	1	3	25	2	1	2	86
Professionals	79	1	4	2	147	1	0	3	237
Technicians and Associate Professionals	92	4	0	3	129	5	1	2	236
Clerks	63	1	0	3	128	0	3	10	208
Service Shop and Market Sales Workers	58	0	0	0	44	6	0	0	108
Craft and Related Trade Workers	4	0	1	0	0	0	0	0	5
Labourers and Related Workers	6	0	0	4	0	0	0	0	10
<b>Total</b>	<b>353</b>	<b>7</b>	<b>6</b>	<b>15</b>	<b>473</b>	<b>14</b>	<b>5</b>	<b>17</b>	<b>890</b>
Employees with disabilities	2	0	0	1	2	0	0	0	5

**Table 4.18.3 Recruitment**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	1	0	0	0	2
Senior Management	2	0	0	0	1	0	0	1	4
Professionally qualified and experienced specialists and mid-management	19	0	1	0	13	0	0	1	34
Skilled technical and academically qualified workers, junior management, supervisors, foremen	18	1	0	0	38	0	0	0	57
Semi-skilled and discretionary decision making	112	5	1	0	186	6	0	0	310
Contract (Top Management)	1	0	0	0	0	0	0	0	1
Contract (Senior Management)	8	0	0	4	3	0	0	0	15
Contract (Professionally qualified)	63	3	8	14	53	1	2	6	150
Contract (Skilled technical)	49	0	0	0	56	0	1	0	106
Contract (Semi-skilled)	22	1	0	0	80	1	0	0	104
Contract (Unskilled)	108	6	0	0	188	9	0	0	311
<b>Total</b>	<b>403</b>	<b>16</b>	<b>10</b>	<b>18</b>	<b>619</b>	<b>17</b>	<b>3</b>	<b>8</b>	<b>1 094</b>



**Table 4.18.4 Promotion (Includes promotion to salary level and progressions to another notch within the Salary Level)**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management,	0	0	0	1	0	1	0	0	2
Senior Management	37	7	13	38	19	1	4	11	130
Professionally qualified and experienced specialists and mid-management	186	15	4	28	143	8	5	25	414
Skilled technical and academically qualified workers, junior management, supervisors, foremen	244	44	2	46	396	23	4	59	818
Semi-skilled and discretionary decision making	352	142	5	11	294	56	1	1	862
Unskilled and defined decision making	109	5	1	1	241	14	0	0	371
Contract (Senior Management)	2	0	0	6	2	0	0	0	10
Contract (Professionally qualified)	3	0	1	1	1	1	1	0	8
Contract (Skilled technical)	8	0	0	0	22	1	1	0	32
Contract (Semi-skilled)	2	0	0	0	5	0	0	0	7
Contract (Unskilled)	1	0	0	0	46	2	0	0	49
<b>Total</b>	<b>944</b>	<b>213</b>	<b>26</b>	<b>132</b>	<b>1 169</b>	<b>107</b>	<b>16</b>	<b>96</b>	<b>2 703</b>
<b>Employees with disability</b>	14	8	1	10	7	1	0	5	46

**Table 4.18.5 Terminations**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	0	1	1	4	0	0	0	1	7
Professionally qualified and experienced specialists and mid-management	13	4	1	14	9	0	0	1	42
Skilled technical and academically qualified workers, junior management, supervisors, foremen	11	5	0	4	13	0	0	3	36
Semi-skilled and discretionary decision making	40	16	0	3	42	11	0	0	112
	7	2	0	0	4	0	0	0	13
Contract (Top Management)	3	0	0	0	0	0	1	1	5
Contract (Senior Management)	20	0	1	10	6	0	0	0	37
Contract (Professionally qualified)	48	2	4	13	53	1	2	8	131
Contract (Skilled technical)	63	0	0	2	78	2	2	1	148
Contract (Semi-skilled)	35	1	0	0	128	2	0	0	166
Contract (Unskilled)	52	6	0	1	104	11	0	1	175
<b>Total</b>	<b>293</b>	<b>37</b>	<b>7</b>	<b>51</b>	<b>437</b>	<b>27</b>	<b>5</b>	<b>16</b>	<b>873</b>
Employees with disabilities	3	0	0	1	0	0	0	1	5

**Table 4.18.6 Disciplinary action**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Dismissal	3	1	0	0	1	0	0	0	5
Suspension From Work Without Payment	2	1	1	1	5	0	0	1	11
Final Written Warning	22	1	0	0	8	0	0	1	32
Written Warning	20	4	0	2	11	2	1	2	42
Verbal Warning	4	0	1	0	6	0	0		11
Corrective Counselling	1	0	0	0	1	0	0	0	2
Withdrawal	0	0	0	0	0	0	0	1	1
Not Guilty	1	0	0	0	0	0	0	0	1
<b>Total</b>	<b>53</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>32</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>105</b>

**Table 4.18.7 Skills development**

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	30	0	7	7	33	0	1	5	83
Professionals	99	9	7	41	70	2	5	15	248
Technicians and Associate Professionals	32	1	1	1	49	0	0	0	84
Clerks	181	15	4	4	442	15	5	41	707
Service and Sales Workers	3	0	0	0	1	0	0	0	4
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0	0
Craft and related Trades Workers	74	14	6	8	18	2	0	0	122
Plant and Machine Operators and Assemblers	2	0	0	0	1	0	0	0	3
Elementary Occupations	53	14	1	0	111	4	0	0	183
Employees with disabilities	5	0	0	5	3	0	0	2	15
<b>Total</b>	<b>479</b>	<b>53</b>	<b>26</b>	<b>66</b>	<b>728</b>	<b>23</b>	<b>11</b>	<b>63</b>	<b>1 449</b>

## 4.19 Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability), salary bands and critical occupations.

**Table 4.19.1 Performance Rewards by race, gender and disability**

Demographics	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	1 245	2 211	56,30	8 814	7 080
African, Male	943	1 657	56,90	8 325	8 828
Asian, Female	14	19	73,70	330	23 595
Asian, Male	37	52	71,20	700	18 929
Coloured, Female	121	162	74,70	762	6 301
Coloured, Male	205	276	74,30	1 389	6 775
Total Blacks, Female	1 380	2 392	57,70	9 907	7 179
Total Blacks, Male	1 185	1 985	59,70	10 414	8 788
White, Female	114	135	84,40	1 732	15 189
White, Male	121	170	71,20	2 446	20 216
Employees with a disability	35	68	51,50	322	9 208
<b>Total</b>	<b>2 835</b>	<b>4 750</b>	<b>59,70</b>	<b>24 821</b>	<b>8 755</b>

**Table 4.19.2 Performance Rewards by salary band for personnel below Senior Management Service**

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Lower skilled (Levels 1-2)	15	12	125	51	3 373
Skilled (Levels 3-5)	1 471	2 140	68,70	5 885	4 001
Highly skilled production (Levels 6-8)	783	1 076	72,80	7 230	9 233
Highly skilled supervision (Levels 9-12)	395	631	62,60	6 846	17 332
Contract (Levels 1-2)	2	43	4,70	4	2 156
Contract (Levels 3-5)	39	183	21,30	123	3 154
Contract (Levels 6-8)	18	120	15	199	11 069
Contract (Levels 9-12)	13	175	7,40	287	22 086
<b>Total</b>	<b>2 736</b>	<b>4 573</b>	<b>59,80</b>	<b>20 625</b>	<b>7 538</b>

**Table 4.19.3 Performance Rewards by critical occupation**

Critical Occupations	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Architects Town and Traffic Planners	23	57	40,40	602	26 153
Civil Engineering Technicians	7	25	28,00	114	16 326
Engineers and Related Professionals	70	165	42,40	1 582	22 602
Engineering Sciences Related	52	108	48,10	1 381	26 566
Quantity Surveyors & Rela Prof Not Class Elsewhere	15	24	62,50	354	23 635

**Notes**

The CORE classification, as prescribed by the DPSA, should be used for completion of this table.

**Table 4.19.4 Performance related rewards (cash bonus), by salary band for Senior Management Service**

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R')
Band A	81	140	57,90	3 094	38 194
Band B	18	29	62,10	1 102	61 246
Band C	0	8	0	0	0
<b>Total</b>	<b>99</b>	<b>177</b>	<b>55,90</b>	<b>4 196</b>	<b>42 385</b>

This table reflect payment of performance bonuses of SMS during 2017/2018 financial year. Two payment was made during this period to SMS for 2015/16 PMDS cycle and 2016/2017 PMDS cycle. 81 Beneficiaries in Band A includes the payment of SMS on Salary 13 and OSD earning equivalent. 12 Director received performance bonuses for the 2015/16 cycle in 2017/2018 and 15 Directors were paid performance bonuses for 2016/2017 cycle in 2017/2018 financial year. 18 Beneficiaries in Band B includes 9 Chief Directors paid for the 2015/2016 PMDS cycle and 5 Chief Directors for the 2016/2017 PMDS cycle in the 2017/2018 financial year. 4 OSD beneficiaries earning equivalent that was paid for the 2016/2017 cycle is also included in Band B.

## 4.20 Foreign Workers

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

**Table 4.20.1 Foreign workers by salary band**

Salary Band	1 April 2017		31 March 2018		Change	
	Number	%age of Total	Number	% of Total	Number	% Change
Lower skilled (Levels 1-2)	1	3,60	0	0	- 1	100
Skilled (Levels 3-5)	0	0	1	3,70	1	- 100
Highly skilled supervision (Levels 9-12)	25	89,30	24	88,90	- 1	100
Senior management (Levels 13-16)	2	7,10	2	7,40	0	0
<b>Total</b>	<b>28</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>- 1</b>	<b>100</b>

22 Cuban Professionals were appointed as Technical Advisors.

**Table 4.20.2 Foreign workers by major occupation**

Major Occupation	1 April 2017		31 March 2018		Change	
	Number	%age of Total	Number	% of Total	Number	% Change
Elementary occupations	1	3,60	1	3,70	0	0
Professionals and managers	27	96,40	26	96,30	-1	100
<b>Total</b>	<b>28</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>-1</b>	<b>100</b>

## 4.21 Leave utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

**Table 4.21.1 Sick leave**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Number of days with Medical Certification
Contract (Levels 1-2)	305	69,20	85	2,70	4	51	211
Contract (Levels 3-5)	266	50,80	74	2,30	4	177	135
Contract (Levels 6-8)	424	66,70	97	3,10	4	555	283
Contract (Levels 9-12)	257	71,60	71	2,30	4	638	184
Contract (Levels 13-16)	90	91,10	17	0,50	5	366	82
Lower skilled (Levels 1-2)	2 441	85,30	500	15,90	5	1 294	2 081
Skilled (Levels 3-5)	4 877	79,70	960	30,40	5	3 227	3 887
Highly skilled production (Levels 6-8)	5 136	73,60	812	25,80	6	6 962	3 780
Highly skilled supervision (Levels 9-12)	2 487	74,70	430	13,60	6	6 430	1 857
Senior management (Levels 13-16)	616	77,80	107	3,40	6	2 416	479
<b>Total</b>	<b>16 899</b>	<b>76,80</b>	<b>3 153</b>	<b>100</b>	<b>5</b>	<b>22 176</b>	<b>12 979</b>

**Table 4.21.2 Disability leave (temporary and permanent)**

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of days with medical certification
Contract (Levels 1-2)	19	100	2	2,50	10	9	19
Contract (Levels 13-16)	10	100	1	1,30	10	50	10
Lower skilled (Levels 1-2)	287	100	16	20,30	18	150	287
Skilled (Levels 3-5)	961	100	35	44,30	27	621	961
Highly skilled production (Levels 6-8)	426	100	16	20,30	27	529	426
Highly skilled supervision (Levels 9-12)	141	100	7	8,90	20	366	141
Senior management (Levels 13-16)	43	100	2	2,50	22	170	43
<b>Total</b>	<b>1 887</b>	<b>100</b>	<b>79</b>	<b>100</b>	<b>24</b>	<b>1 896</b>	<b>1 887</b>

The table below summarizes the utilization of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 4.21.3 Annual Leave**

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Contract (Levels 1-2)	2 150	8	273
Contract (Levels 3-5)	1 556	7	209
Contract (Levels 6-8)	1 487	10	152
Contract (Levels 9-12)	1 208	9	131
Contract (Levels 13-16)	375	10	37
Lower skilled (Levels 1-2)	7 879	10	817
Skilled (Levels 3-5)	20 006	11	1 875
Highly skilled production (Levels 6-8)	15 739	15	1 073
Highly skilled supervision (Levels 9-12)	9 735	15	654
Senior management (Levels 13-16)	2 582	15	170
<b>Total</b>	<b>62 717</b>	<b>12</b>	<b>5 391</b>

**Table 4.21.4 Capped leave**

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at end of period	Number of Employees who took Capped leave	Total number of capped leave available at end of period
Unskilled (Levels 1-2)	0	0	39	0	197,28
Skilled (Levels 3-5)	137	4	56	35	36 568,05
Highly skilled production (Levels 6-8)	133	7	37	19	10 889,72
Highly skilled supervision (Levels 9-12)	35	4	55	8	9 619,88
Senior management (Levels 13-16)	22	6	43	4	3 014,37
<b>Total</b>	<b>327</b>	<b>5</b>	<b>50</b>	<b>66</b>	<b>60 289,30</b>

The following table summarise payments made to employees as a result of leave that was not taken.

**Table 4.21.5 Leave pay-outs**

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Capped leave pay-outs on termination of service for current financial year	12 376	253	48 917
Current leave pay-out on termination of service for current financial year	744	44	16 909
Leave pay-outs for current financial year due to non-utilisation of leave for the previous cycle	290	9	32 222
<b>Total</b>	<b>13 411</b>	<b>306</b>	<b>43 827</b>

## 4.22 HIV/AIDS & Health Promotion Programmes

**Table 4.22.1 Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Workers in the construction industry are relatively at risk. Migratory labour force and labour camps commonly employed by the industry contributes to the spread of HIV and STI in the industry and the communities in which it does business.	As custodian and main player in the construction sector, the National Department of Public Works (DPW) developed an HIV/AIDS Strategy for the construction sector to protect and support the industry's workforce

**Table 4.22.2 Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		Mr RM Mahlatjie: Director: Organisational Development
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		There is a dedicated unit within OD consisting of 16 employees (5 at Head Office & 11 located at Regional Offices). (Budget for goods & services = R556 000.00pa excluding compensation budget)
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		Responsive Programs Addressing psycho-social health and wellness issues are in place
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		A department-wide committee constituted by HR representatives from 11 regional offices established
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		The departmental HIV and AIDS Policy are articulate on issues of human rights and fair labour practices.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		Stigma Mitigation programme is in place. Key elements include:-Knowledge, Attitudes and Practices surveys; Dialogues and Peer education.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Yes		The department collaborates with GEMS and NGOs in providing on-site opportunities for health screening, HIV Counselling and Testing and TB screening. Screenings for glucose, cholesterol and blood pressure conducted. 1778 (HC, HCT and TB survey).
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Utilization rate of Health and Wellness services. - Number of employees attending wellness events. - Number of wellness events, workshops and training conducted. - Sick leave utilization (reduction).- Number of employees living openly with HIV



## 4.23 Labour Relations

**Table 4.23.1 Collective agreements**

Subject Matter	Date
None	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 4.23.2 Misconduct and disciplinary hearings finalized**

Outcomes of disciplinary hearings	Number	% of Total	Total
Dismissal	5	4,76%	5
Suspension From Work Without Payment	11	10,47%	11
Final Written Warning	32	30,30%	32
Written Warning	42	40%	42
Verbal Warning	11	10%	11
Corrective Counselling	2	1,90%	2
Withdrawal	1	0,95%	1
Not Guilty	1	0,95%	1
<b>Total</b>	<b>105</b>	<b>100%</b>	<b>105</b>

**Table 4.23.3 Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of Total	Total
Bribes or commit fraud, corruption and nepotism	3	2,85%	3
Absent from work without reason or permission	12	11,42%	12
Non-compliance with scm/procurement procedures	23	21,90%	23
Non-compliance with the pmds and fleet management policy/ directives	6	5,71%	6
Misuse, abuse or unauthorise use of state property	2	1,90%	2
Negligence / dereliction of duties	34	32,38%	34
Displayed disrespectful, disgraceful and unacceptable behaviour	3	2,85%	3
Failure to carry-out lawful instructions/insubordination	14	13,30%	14
Being in possession of drugs, drinking on duty or under the influence of intoxicating substance	3	2,85%	3
Performed remunerative work outside the public service without permission	2	1,90%	2
Misrepresentation and giving false statements while on duty	2	1,90%	2
Failure to obey security regulations	1	0,95%	1
<b>Total</b>	<b>105</b>	<b>100%</b>	<b>105</b>

**Table 4.23.4 Grievances logged**

Number of grievances addressed	Number	% of Total	Total
Not resolved	26	26%	26
Resolved	72	74%	72
<b>Total</b>	<b>98</b>	<b>100%</b>	<b>98</b>

**Table 4.23.5 Disputes logged**

Number of disputes addressed	Number	% of total
Upheld	13	50%
Dismissed	13	50%
<b>Total</b>	<b>26</b>	<b>100%</b>

**Table 4.23.6 Strike actions**

Strike Actions	
None	<b>0</b>

**Table 4.23.7 Precautionary suspensions**

Precautionary Suspensions	
None	<b>0</b>

## 4.24 Skills development

This section highlights the efforts of the department with regard to skills development.

**Table 4.24.1: Training needs identified**

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	25	77	35	137
Legislators, senior officials and managers	Male	45	39	28	112
Professionals	Female	200	139	10	349
Professionals	Male	347	160	9	516
Technicians and associate professionals	Female	531	15	5	551
Technicians and associate professional	Male	363	20	10	393
Clerks	Female	474	112	40	626
Clerks	Male	278	31	10	319
Service and sales workers	Female	18	30	5	53
Service and sales workers	Male	42	2	2	46
Skilled agriculture and fishery workers	Female	22	0	0	22
Skilled agriculture and fishery workers	Male	58	0	0	58
Craft and related trades workers	Female	31	0	0	31
Craft and related trades workers	Male	202	0	0	202
Elementary occupations	Female	1 246	52	48	1346
Elementary occupations	Male	868	80	48	996
Gender sub totals	Female	2 547	425	138	3 111
Gender sub totals	Male	2 203	336	107	2 646
<b>Total</b>		<b>4 750</b>	<b>757</b>	<b>250</b>	<b>5 757</b>

**Table 4.24.2 Training provided for the period**

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	25	10	29	64
Legislators, senior officials and managers	Male	45	17	27	89
Professionals	Female	200	46	46	292
Professionals	Male	347	87	69	503
Technicians and associate professionals	Female	531	30	19	580
Technicians and associate professional	Male	363	27	8	398
Clerks	Female	474	252	251	977
Clerks	Male	278	126	78	482
Service and sales workers	Female	18	1	0	19
Service and sales workers	Male	42	2	1	45
Skilled agriculture and fishery workers	Female	22	0	0	22
Skilled agriculture and fishery workers	Male	58	0	0	58
Craft and related trades workers	Female	31	13	7	51
Craft and related trades workers	Male	202	56	46	304
Elementary occupations	Female	1 246	68	48	1362
Elementary occupations	Male	868	35	35	938
Gender sub totals	Female	2 547	420	400	3 367
Gender sub totals	Male	2 203	350	264	2 817
<b>Total</b>		<b>4 750</b>	<b>770</b>	<b>664</b>	<b>6 184</b>

**4.24.3 Internships and Learnerships**

Occupational Categories	Gender	Employment	Learnerships	Internships	Total
Legislators, senior officials and managers	Female	25	0	0	0
Legislators, senior officials and managers	Male	45	0	0	0
Professionals	Female	200	0	96	96
Professionals	Male	347	0	73	73
Technicians and associate professionals	Female	531	0	0	0
Technicians and associate professional	Male	363	0	0	0
Clerks	Female	474	0	0	0
Clerks	Male	278	0	0	0
Service and sales workers	Female	18	0	0	0
Service and sales workers	Male	42	0	0	0
Skilled agriculture and fishery workers	Female	22	0	0	0
Skilled agriculture and fishery workers	Male	58	0	0	0
Craft and related trades workers	Female	31	79	148	227
Craft and related trades workers	Male	202	61	157	218
Elementary occupations	Female	1 246	0	0	0
Elementary occupations	Male	868	0	0	0
Gender sub totals	Female	2 547	79	244	323
Gender sub totals	Male	2 203	61	230	291
<b>Total</b>		<b>4 750</b>	<b>140</b>	<b>474</b>	<b>614</b>

## 4.25 Injury on duty

The following tables provide basic information on injury on duty.

**Table 4.25.1 Injury on duty**

Nature of injury on duty	Number	% of total
Required basic medical attention only	37	78,72
Temporary Total Disablement	10	21,28
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>47</b>	







## CHAPTER 5

### PART A: FINANCIAL INFORMATION

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**Annual Financial Statements for the year ended 31 March 2018**

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# Report of the Auditor-General to Parliament on vote no. 11: Department of Public Works

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Department of Public Works set out on pages 192 to 265, which comprise the appropriation statement, the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended 31 March 2018, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Works as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) prescribed by National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Material impairments - receivables

7. As disclosed in note 12.5 to the financial statements, material impairments of R59 183 000 were provided for as a result of irrecoverable receivables.

### Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited supplementary schedules

9. The supplementary information set out on pages 266 to 290 does not form part of the financial statements and is presented as additional information. I have not audited these schedule and, accordingly, I do not express an opinion thereon.

## Responsibilities of accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the MCS and the requirements of the PFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the Department of Public Work's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the department or to cease operations, or has no realistic alternative but to do so.



## Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the department. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 3 – expanded public works programme	66 - 68
Programme 4 – property and construction industry policy and research	69
Programme 5 – prestige policy	70

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

### Programme 3 – expanded public works programme

#### Various indicators

19. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievement of these indicators were as follows:

Indicator description	Reported Achievement	Audited Value
Number of work opportunities reported in the EPWP-RS by public bodies	900 234 WO reported in the EPWP-RS by public bodies. (Cumulative)	1 117 272 WO reported in the EPWP-RS by public bodies. (Cumulative)
Percentage EPWP participation among designated groups (women, youth and persons with disability) reported on the EPWP-RS by public bodies	66.5% women 43.8% Youth 1.3 People with disability	72% women 38% Youth 1% People with disability

## Programme 5 – prestige policy

### Various indicators

20. The systems and processes to enable reliable reporting of the achievement against the indicators were not adequately designed and implemented. As a result, I was unable to obtain sufficient appropriate audit evidence for the variances and the reported achievements of the indicators listed below due to these limitations placed on the scope of my work. I was unable to confirm the reasons for the variances and the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reasons for the variances and to the reported achievements in the annual performance report.

Indicator description	Reported achievement
Average number of working days taken to resolve mechanical breakdown after logging a complaint.	440 complaints out of 617 received were completed within 15 working days  <b>Cape Town</b>  Residences and PV: 2.8 days  Offices: 7.9 days
Average number of working days taken to resolve emergency breakdown after logging a complaint.	<b>Pretoria</b>  337 complaints out of 497 were completed within 2 working days  <b>Cape Town</b>  Residences and PV: 1.4 days  Offices: 3.9 days
Number of planned state events supported with movable structures.	8 planned state events supported with movable infrastructure
Average number of working days taken to provide furniture to prestige clients.	<b>Pretoria</b>  15 working days.  <b>Cape Town</b>  6 out of 18 furniture provision requests were carried out within 60 days.

21. I did not raise any material findings on the usefulness and reliability of the reported performance information on programme 4: property and construction industry and research.

### Other matters

22. I draw attention to the matters below.

### Achievement of planned targets

23. Refer to the annual performance report on pages 66 to 70 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 and 20 of this report.

### Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: expanded public works programme. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the department with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
26. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

27. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Internal control deficiencies**

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in, the findings on the annual performance report.

#### **Leadership**

32. The department did not adequately monitor the action plans to address prior year findings resulting in similar findings in the current year.

#### **Financial and performance management**

33. Regular, accurate and complete performance reports were not always supported and evidenced by reliable information.

#### **Other reports**

34. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the department's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

#### **Investigation**

35. Numerous allegations, mainly relating to transgressions with regard to supply chain management, potential fraud and financial misconduct, are still being investigated by the Special Investigation Unit.

*Auditor-General*

Pretoria

31 July 2018



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the department's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department of Public Works's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a department to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11 APPROPRIATION STATEMENT

for the year ended 31 March 2018

Appropriation per programme										
2017/18										2016/17
Programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
1. Administration	443 275	-	4 466	447 741	447 607	134	100.0%	516 006	450 463	
2. Intergovernmental Coordination	48 230	-	-	48 230	45 419	2 811	94.2%	28 639	16 477	
3. Expanded Public Works Programme	2 407 583	-	(4 626)	2 402 957	2 367 805	35 152	98.5%	2 319 500	2 301 446	
4. Property and Construction Industry Policy and Research	4 001 406	-	-	4 001 406	3 986 848	14 558	99.6%	3 553 089	3 547 048	
5. Prestige Policy	84 636	-	160	84 796	79 608	5 188	93.9%	95 565	87 931	
<b>Subtotal</b>	<b>6 985 130</b>	<b>-</b>	<b>-</b>	<b>6 985 130</b>	<b>6 927 287</b>	<b>57 843</b>	<b>99.2%</b>	<b>6 512 799</b>	<b>6 403 365</b>	
Reconciliation with statement of financial performance										
ADD										
Departmental receipts				10 358				14 608		
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>6 995 488</b>				<b>6 527 407</b>		
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>6 927 287</b>				<b>6 403 365</b>	

Appropriation per economic classification									
	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Economic classification</b>									
<b>Current payments</b>	<b>878 611</b>	<b>(4 174)</b>	<b>(1 910)</b>	<b>872 527</b>	<b>816 220</b>	<b>56 307</b>	<b>93.5%</b>	<b>902 120</b>	<b>804 938</b>
Compensation of employees	458 413	(862)	-	457 551	444 993	12 558	97.3%	470 261	438 827
Salaries and wages	403 107	5 136	(719)	407 524	397 367	10 157	97.5%	419 716	393 897
Social contributions	55 306	(5 998)	719	50 027	47 626	2 401	95.2%	50 545	44 930
Goods and services	418 392	(3 312)	(1 910)	413 170	369 421	43 749	89.4%	431 859	366 111
Administrative fees	444	617	-	1 061	1 061	-	100.0%	2 282	1 429
Advertising	6 039	(290)	-	5 749	4 791	958	83.3%	4 975	4 277
Minor assets	6 152	(2 024)	-	4 128	2 711	1 417	65.7%	3 797	3 399
Audit costs: External	11 837	541	-	12 378	12 378	-	100.0%	16 747	9 605
Bursaries: Employees	1 113	(958)	-	155	155	-	100.0%	48	48
Catering: Departmental activities	3 017	101	-	3 118	2 851	267	91.4%	1 912	1 724
Communication	8 514	(1 993)	-	6 521	5 679	842	87.1%	8 547	5 912
Computer services	33 623	15 003	-	48 626	48 468	158	99.7%	42 416	31 585
Consultants: Business and advisory services	35 846	1 982	553	38 381	28 643	9 738	74.6%	28 615	25 700
Infrastructure and planning services	9 899	(1 523)	(2 463)	5 913	-	5 913	-	32 222	32 222
Legal services	23 473	(6 517)	-	16 956	16 956	-	100.0%	17 402	17 402
Contractors	33 707	(483)	-	33 224	32 320	904	97.3%	23 782	22 766
Agency and support / outsourced services	109 319	3 910	-	113 229	100 250	12 979	88.5%	104 850	90 920
Entertainment	488	(136)	-	352	159	193	45.2%	372	160
Fleet services	3 697	(696)	-	3 001	2 578	423	85.9%	2 795	2 134
Consumable supplies	5 270	(2 690)	-	2 580	2 221	359	86.1%	6 361	5 668
Consumable: Stationery, printing and office supplies	8 408	(2 381)	-	6 027	4 335	1 692	71.9%	7 420	6 080
Operating leases	25 550	(782)	-	24 768	24 006	762	96.9%	22 914	20 520
Property payments	24 317	(7 133)	-	17 184	16 934	250	98.5%	38 359	27 485
Travel and subsistence	44 442	7 741	-	52 183	48 004	4 179	92.0%	41 793	38 809
Training and development	8 437	(3 460)	-	4 977	4 814	163	96.7%	10 034	6 168
Operating payments	7 408	(1 799)	-	5 609	4 960	649	88.4%	7 220	5 842
Venues and facilities	5 938	147	-	6 085	4 745	1 340	78.0%	5 857	5 117
Rental and hiring	1 454	(489)	-	965	402	563	41.7%	1 139	1 139

Appropriation per economic classification									
	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Interest and rent on land	1 806	-	-	1 806	1 806	-	100.0%	-	-
Interest	1 806	-	-	1 806	1 806	-	100.0%	-	-
<b>Transfers and subsidies</b>	<b>6 088 497</b>	<b>862</b>	-	<b>6 089 359</b>	<b>6 088 989</b>	<b>370</b>	<b>100.0%</b>	<b>5 571 772</b>	<b>5 571 249</b>
Provinces and municipalities	1 472 615	-	-	1 472 615	1 472 615	-	100.0%	1 425 668	1 425 666
Provinces	781 162	-	-	781 162	781 162	-	100.0%	761 671	761 671
Provincial Revenue Funds	781 162	-	-	781 162	781 162	-	100.0%	761 671	761 671
Municipalities	691 453	-	-	691 453	691 453	-	100.0%	663 997	663 995
Municipal bank accounts	691 453	-	-	691 453	691 453	-	100.0%	663 997	663 995
Departmental agencies and accounts	3 845 418	-	-	3 845 418	3 845 388	30	100.0%	3 507 375	3 507 343
Departmental agencies (non-business entities)	3 845 418	-	-	3 845 418	3 845 388	30	100.0%	3 507 375	3 507 343
Foreign governments and international organisations	22 342	-	-	22 342	22 342	-	100.0%	28 234	28 234
Public corporations and private enterprises	111 066	-	-	111 066	111 066	-	100.0%	-	-
Public corporations	111 066	-	-	111 066	111 066	-	100.0%	-	-
Other transfers to public corporations	111 066	-	-	111 066	111 066	-	100.0%	-	-
Non-profit institutions	624 024	-	-	624 024	624 024	-	100.0%	600 427	600 427
Households	13 032	862	-	13 894	13 554	340	97.6%	10 068	9 579
Social benefits	8 032	(5 386)	-	2 646	2 427	219	91.7%	2 417	1 928
Other transfers to households	5 000	6 248	-	11 248	11 127	121	98.9%	7 651	7 651
<b>Payments for capital assets</b>	<b>18 022</b>	<b>-</b>	<b>-</b>	<b>18 022</b>	<b>16 856</b>	<b>1 166</b>	<b>93.5%</b>	<b>37 508</b>	<b>25 779</b>
Machinery and equipment	18 022	-	(62)	17 960	16 794	1 166	93.5%	31 451	19 722
Transport equipment	2 500	(8)	-	2 492	2 492	-	100.0%	-	-
Other machinery and equipment	15 522	8	(62)	15 468	14 302	1 166	92.5%	31 451	19 722
Intangible assets	-	-	62	62	62	-	100.0%	6 057	6 057
<b>Payments for financial assets</b>	<b>-</b>	<b>3 312</b>	<b>1 910</b>	<b>5 222</b>	<b>5 222</b>	<b>-</b>	<b>100.0%</b>	<b>1 399</b>	<b>1 399</b>
<b>Total</b>	<b>6 985 130</b>	<b>-</b>	<b>-</b>	<b>6 985 130</b>	<b>6 927 287</b>	<b>57 843</b>	<b>99.2%</b>	<b>6 512 799</b>	<b>6 403 365</b>

Programme 1: Administration									
Sub programme	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Ministry	39 681	(1 712)	193	38 162	38 028	134	99.6%	31 323	25 538
2. Management	95 800	7 056	605	103 461	103 461	-	100.0%	93 364	90 633
3. Corporate Services	216 414	7 027	2 079	225 520	225 520	-	100.0%	277 150	251 899
4. Finance and Supply Chain Management	49 232	(5 779)	1 589	45 042	45 042	-	100.0%	64 769	45 490
5. Office Accommodation	42 148	(6 592)	-	35 556	35 556	-	100.0%	49 400	36 903
<b>Total for sub programmes</b>	<b>443 275</b>	<b>-</b>	<b>4 466</b>	<b>447 741</b>	<b>447 607</b>	<b>134</b>	<b>100.0%</b>	<b>516 006</b>	<b>450 463</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>427 406</b>	<b>(803)</b>	<b>553</b>	<b>427 156</b>	<b>427 022</b>	<b>134</b>	<b>100.0%</b>	<b>484 466</b>	<b>425 738</b>
Compensation of employees	232 032	(803)	-	231 229	231 229	-	100.0%	253 790	240 436
Salaries and wages	202 989	4 465	-	207 454	207 454	-	100.0%	226 453	215 810
Social contributions	29 043	(5 268)	-	23 775	23 775	-	100.0%	27 337	24 626
Goods and services	193 568	-	553	194 121	193 987	134	99.9%	230 676	185 302
Administrative fees	444	617	-	1 061	1 061	-	100.0%	2 281	1 428
Advertising	3 105	(1 045)	-	2 060	2 060	-	100.0%	1 734	1 200
Minor assets	707	(380)	-	327	327	-	100.0%	811	612
Audit costs: External	11 837	541	-	12 378	12 378	-	100.0%	16 747	9 605
Bursaries: Employees	1 113	(958)	-	155	155	-	100.0%	48	48
Catering: Departmental activities	1 379	177	-	1 556	1 556	-	100.0%	1 206	1 076
Communication	5 912	(1 557)	-	4 355	4 355	-	100.0%	6 556	4 559
Computer services	33 095	15 373	-	48 468	48 468	-	100.0%	41 912	31 585
Consultants: Business and advisory services	12 332	10 460	553	23 345	23 345	-	100.0%	20 135	17 585
Legal services	23 473	(6 570)	-	16 903	16 903	-	100.0%	17 402	17 402
Contractors	6 826	(5 683)	-	1 143	1 143	-	100.0%	3 973	3 026
Agency and support / outsourced services	3 286	2 167	-	5 453	5 453	-	100.0%	19 784	18 285



Programme 1: Administration										
	2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Entertainment	234	(139)	-	95	95	-	100.0%	205	107	
Fleet services	2 767	(922)	-	1 845	1 845	-	100.0%	1 796	1 203	
Consumable supplies	3 427	(2 124)	-	1 303	1 303	-	100.0%	4 442	4 404	
Consumable: Stationery, printing and office supplies	4 489	(1 821)	-	2 668	2 668	-	100.0%	4 618	3 962	
Operating leases	23 177	(1 131)	-	22 046	22 046	-	100.0%	20 700	18 522	
Property payments	24 042	(7 133)	-	16 909	16 909	-	100.0%	32 034	21 160	
Travel and subsistence	17 904	6 855	-	24 759	24 625	134	99.5%	19 091	18 867	
Training and development	7 248	(3 262)	-	3 986	3 986	-	100.0%	9 611	5 765	
Operating payments	2 975	(1 131)	-	1 844	1 844	-	100.0%	3 188	2 875	
Venues and facilities	3 259	(1 843)	-	1 416	1 416	-	100.0%	2 384	2 008	
Rental and hiring	537	(491)	-	46	46	-	100.0%	18	18	
Interest and rent on land	1 806	-	-	1 806	1 806	-	100.0%	-	-	
Interest	1 806	-	-	1 806	1 806	-	100.0%	-	-	
<b>Transfers and subsidies</b>	<b>6 484</b>	<b>803</b>	<b>114</b>	<b>7 401</b>	<b>7 401</b>	<b>-</b>	<b>100.0%</b>	<b>8 107</b>	<b>8 105</b>	
Provinces and municipalities	6	-	-	6	6	-	100.0%	6	4	
Municipalities	6	-	-	6	6	-	100.0%	6	4	
Municipal bank accounts	6	-	-	6	6	-	100.0%	6	4	
Households	6 478	803	114	7 395	7 395	-	100.0%	8 101	8 101	
Social benefits	6 478	(5 230)	114	1 362	1 362	-	100.0%	450	450	
Other transfers to households	-	6 033	-	6 033	6 033	-	100.0%	7 651	7 651	
<b>Payments for capital assets</b>	<b>9 385</b>	<b>-</b>	<b>1 889</b>	<b>11 274</b>	<b>11 274</b>	<b>-</b>	<b>100.0%</b>	<b>22 327</b>	<b>15 514</b>	
Machinery and equipment	9 385	-	1 827	11 212	11 212	-	100.0%	16 270	9 457	
Transport equipment	2 500	(8)	-	2 492	2 492	-	100.0%	-	-	
Other machinery and equipment	6 885	8	1 827	8 720	8 720	-	100.0%	16 270	9 457	
Intangible assets	-	-	62	62	62	-	100.0%	6 057	6 057	
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>1 910</b>	<b>1 910</b>	<b>1 910</b>	<b>-</b>	<b>100.0%</b>	<b>1 106</b>	<b>1 106</b>	
<b>Total</b>	<b>443 275</b>	<b>-</b>	<b>4 466</b>	<b>447 741</b>	<b>447 607</b>	<b>134</b>	<b>100.0%</b>	<b>516 006</b>	<b>450 463</b>	

<b>1.1 Ministry</b>									
<b>2017/18</b>								<b>2016/17</b>	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>36 425</b>	<b>(1 373)</b>	-	<b>35 052</b>	<b>34 918</b>	<b>134</b>	<b>99.6%</b>	<b>30 849</b>	<b>25 066</b>
Compensation of employees	17 725	823	-	18 548	18 548	-	100.0%	17 104	16 221
Goods and services	18 700	(2 196)	-	16 504	16 370	134	99.2%	13 745	8 845
<b>Transfers and subsidies</b>	<b>6</b>	-	-	<b>6</b>	<b>6</b>	-	<b>100.0%</b>	<b>6</b>	<b>4</b>
Provinces and municipalities	6	-	-	6	6	-	100.0%	6	4
<b>Payments for capital assets</b>	<b>3 250</b>	<b>(339)</b>	-	<b>2 911</b>	<b>2 911</b>	-	<b>100.0%</b>	<b>348</b>	<b>348</b>
Machinery and equipment	3 250	(339)	-	2 911	2 911	-	100.0%	348	348
<b>Payments for financial assets</b>	<b>-</b>	-	<b>193</b>	<b>193</b>	<b>193</b>	-	<b>100.0%</b>	<b>120</b>	<b>120</b>
<b>Total</b>	<b>39 681</b>	<b>(1 712)</b>	<b>193</b>	<b>38 162</b>	<b>38 028</b>	<b>134</b>	<b>99.6%</b>	<b>31 323</b>	<b>25 538</b>

<b>1.2 Management</b>									
<b>2017/18</b>								<b>2016/17</b>	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>94 700</b>	<b>6 723</b>	<b>553</b>	<b>101 976</b>	<b>101 976</b>	-	<b>100.0%</b>	<b>92 259</b>	<b>89 840</b>
Compensation of employees	69 392	2 461	-	71 853	71 853	-	100.0%	63 810	61 410
Goods and services	25 308	4 262	553	30 123	30 123	-	100.0%	28 449	28 430
<b>Transfers and subsidies</b>	<b>500</b>	<b>259</b>	-	<b>759</b>	<b>759</b>	-	<b>100.0%</b>	<b>84</b>	<b>84</b>
Households	500	259	-	759	759	-	100.0%	84	84
<b>Payments for capital assets</b>	<b>600</b>	<b>74</b>	-	<b>674</b>	<b>674</b>	-	<b>100.0%</b>	<b>1 005</b>	<b>693</b>
Machinery and equipment	600	74	-	674	674	-	100.0%	976	664
Intangible assets	-	-	-	-	-	-	-	29	29
<b>Payments for financial assets</b>	<b>-</b>	-	<b>52</b>	<b>52</b>	<b>52</b>	-	<b>100.0%</b>	<b>16</b>	<b>16</b>
<b>Total</b>	<b>95 800</b>	<b>7 056</b>	<b>605</b>	<b>103 461</b>	<b>103 461</b>	-	<b>100.0%</b>	<b>93 364</b>	<b>90 633</b>

<b>1.3 Corporate Services</b>									
<b>2017/18</b>							<b>2016/17</b>		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>205 701</b>	<b>6 019</b>	-	<b>211 720</b>	<b>211 720</b>	-	<b>100.0%</b>	<b>251 092</b>	<b>230 786</b>
Compensation of employees	114 184	160	-	114 344	114 344	-	100.0%	142 671	134 250
Goods and services	89 711	5 859	-	95 570	95 570	-	100.0%	108 421	96 536
Interest and rent on land	1 806	-	-	1 806	1 806	-	100.0%	-	-
<b>Transfers and subsidies</b>	<b>5 978</b>	<b>504</b>	<b>114</b>	<b>6 596</b>	<b>6 596</b>	-	<b>100.0%</b>	<b>7 943</b>	<b>7 943</b>
Households	5 978	504	114	6 596	6 596	-	100.0%	7 943	7 943
<b>Payments for capital assets</b>	<b>4 735</b>	<b>504</b>	<b>1 889</b>	<b>7 128</b>	<b>7 128</b>	-	<b>100.0%</b>	<b>18 022</b>	<b>13 077</b>
Machinery and equipment	4 735	504	1 827	7 066	7 066	-	100.0%	11 994	7 049
Software and other intangible assets	-	-	62	62	62	-	100.0%	6 028	6 028
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>76</b>	<b>76</b>	-	<b>100.0%</b>	<b>93</b>	<b>93</b>
<b>Total</b>	<b>216 414</b>	<b>7 027</b>	<b>2 079</b>	<b>225 520</b>	<b>225 520</b>	-	<b>100.0%</b>	<b>277 150</b>	<b>251 899</b>

<b>1.4 Finance and Supply Chain Management</b>									
<b>2017/18</b>							<b>2016/17</b>		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>48 432</b>	<b>(5 580)</b>	-	<b>42 852</b>	<b>42 852</b>	-	<b>100.0%</b>	<b>60 866</b>	<b>43 143</b>
Compensation of employees	30 731	(4 247)	-	26 484	26 484	-	100.0%	30 205	28 555
Goods and services	17 701	(1 333)	-	16 368	16 368	-	100.0%	30 661	14 588
<b>Transfers and subsidies</b>	<b>-</b>	<b>40</b>	<b>-</b>	<b>40</b>	<b>40</b>	-	<b>100.0%</b>	<b>74</b>	<b>74</b>
Social benefits	-	40	-	40	40	-	100.0%	74	74
<b>Payments for capital assets</b>	<b>800</b>	<b>(239)</b>	-	<b>561</b>	<b>561</b>	-	<b>100.0%</b>	<b>2 952</b>	<b>1 396</b>
Machinery and equipment	800	(239)	-	561	561	-	100.0%	2 952	1 396
<b>Payment for financial assets</b>	<b>-</b>	<b>-</b>	<b>1 589</b>	<b>1 589</b>	<b>1 589</b>	-	<b>100.0%</b>	<b>877</b>	<b>877</b>
<b>Total</b>	<b>49 232</b>	<b>(5 779)</b>	<b>1 589</b>	<b>45 042</b>	<b>45 042</b>	-	<b>100.0%</b>	<b>64 769</b>	<b>45 490</b>

1.5 Office Accommodation									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>42 148</b>	<b>(6 592)</b>	-	<b>35 556</b>	<b>35 556</b>	-	<b>100.0%</b>	<b>49 400</b>	<b>36 903</b>
Goods and services	42 148	(6 592)	-	35 556	35 556	-	100.0%	49 400	36 903
<b>Total</b>	<b>42 148</b>	<b>(6 592)</b>	-	<b>35 556</b>	<b>35 556</b>	-	<b>100.0%</b>	<b>49 400</b>	<b>36 903</b>

Programme 2: Intergovernmental Coordination									
Sub programme	Adjusted Appropriation	2017/18					2016/17		
	R'000	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
		R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Monitoring, Evaluation and Reporting	14 026	(8 407)	-	5 619	3 594	2 025	64.0%	11 940	2 651
2. Intergovernmental Relation and Coordination	34 204	8 407	-	42 611	41 825	786	98.2%	16 699	13 826
<b>Total for sub programmes</b>	<b>48 230</b>	<b>-</b>	<b>-</b>	<b>48 230</b>	<b>45 419</b>	<b>2 811</b>	<b>94.2%</b>	<b>28 639</b>	<b>16 477</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>42 355</b>	<b>(3 154)</b>	<b>-</b>	<b>39 201</b>	<b>36 951</b>	<b>2 250</b>	<b>94.3%</b>	<b>26 338</b>	<b>16 224</b>
Compensation of employees	29 273	-	-	29 273	27 930	1 343	95.4%	20 281	13 976
Salaries and wages	24 127	730	-	24 857	24 857	-	100.0%	17 435	12 660
Social contributions	5 146	(730)	-	4 416	3 073	1 343	69.6%	2 846	1 316
Goods and services	13 082	(3 154)	-	9 928	9 021	907	90.9%	6 057	2 248
Advertising	313	(71)	-	242	200	42	82.6%	323	323
Minor assets	178	(131)	-	47	25	22	53.2%	70	12
Catering: Departmental activities	580	(106)	-	474	429	45	90.5%	139	107
Communication	605	(318)	-	287	165	122	57.5%	500	51
Computer services	370	(370)	-	-	-	-	-	350	-
Consultants: Business and advisory services	470	(156)	-	314	314	-	100.0%	365	-
Contractors	-	9	-	9	9	-	100.0%	-	-
Agency and support / outsourced services	3 479	(3 479)	-	-	-	-	-	1 050	-
Entertainment	60	2	-	62	17	45	27.4%	60	4
Fleet services	42	(4)	-	38	38	-	100.0%	11	8
Consumable supplies	700	(60)	-	640	540	100	84.4%	125	1

Programme 2: Intergovernmental Coordination									
	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Consumable: Stationery, printing and office supplies	417	43	-	460	257	203	55.9%	437	93
Operating leases	355	(255)	-	100	-	100	-	200	4
Travel and subsistence	3 246	1 166	-	4 412	4 412	-	100.0%	1 521	1 286
Training and development	998	(292)	-	706	681	25	96.5%	20	-
Operating payments	872	(569)	-	303	100	203	33.0%	417	59
Venues and facilities	397	1 437	-	1 834	1 834	-	100.0%	469	300
<b>Transfers and subsidies</b>	<b>5 150</b>	<b>-</b>	<b>-</b>	<b>5 150</b>	<b>4 979</b>	<b>171</b>	<b>96.7%</b>	<b>300</b>	<b>-</b>
Households	5 150	-	-	5 150	4 979	171	96.7%	300	-
Social benefits	150	10	-	160	110	50	68.8%	300	-
Other transfers to households	5 000	(10)	-	4 990	4 869	121	97.6%	-	-
<b>Payments for capital assets</b>	<b>725</b>	<b>-</b>	<b>-</b>	<b>725</b>	<b>335</b>	<b>390</b>	<b>46.2%</b>	<b>2 000</b>	<b>252</b>
Machinery and equipment	725	-	-	725	335	390	46.2%	2 000	252
Other machinery and equipment	725	-	-	725	335	390	46.2%	2 000	252
<b>Payments for financial assets</b>	<b>-</b>	<b>3 154</b>	<b>-</b>	<b>3 154</b>	<b>3 154</b>	<b>-</b>	<b>100.0%</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>48 230</b>	<b>-</b>	<b>-</b>	<b>48 230</b>	<b>45 419</b>	<b>2 811</b>	<b>94.2%</b>	<b>28 639</b>	<b>16 477</b>

2.1 Monitoring, Evaluation and Reporting									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>13 676</b>	<b>(8 407)</b>	-	<b>5 269</b>	<b>3 409</b>	<b>1 860</b>	<b>64.7%</b>	<b>10 790</b>	<b>2 520</b>
Compensation of employee	10 826	(7 445)	-	3 381	2 428	953	71.8%	8 109	1 804
Goods and services	2 850	(962)	-	1 888	981	907	52.0%	2 681	716
<b>Transfers and subsidies</b>	<b>50</b>	-	-	<b>50</b>	-	<b>50</b>	-	<b>150</b>	-
Households	50	-	-	50	-	50	-	150	-
<b>Payments for capital assets</b>	<b>300</b>	-	-	<b>300</b>	<b>185</b>	<b>115</b>	<b>61.7%</b>	<b>1 000</b>	<b>131</b>
Machinery and equipment	300	-	-	300	185	115	61.7%	1 000	131
<b>Total</b>	<b>14 026</b>	<b>(8 407)</b>	-	<b>5 619</b>	<b>3 594</b>	<b>2 025</b>	<b>64.0%</b>	<b>11 940</b>	<b>2 651</b>

2.2 Intergovernmental Relation and Coordination									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>28 679</b>	<b>5 253</b>	-	<b>33 932</b>	<b>33 542</b>	<b>390</b>	<b>98.9%</b>	<b>15 548</b>	<b>13 704</b>
Compensation of employees	18 447	7 445	-	25 892	25 502	390	98.5%	12 172	12 172
Goods and services	10 232	(2 192)	-	8 040	8 040	-	100.0%	3 376	1 532
<b>Transfers and subsidies</b>	<b>5 100</b>	-	-	<b>5 100</b>	<b>4 979</b>	<b>121</b>	<b>97.6%</b>	<b>150</b>	-
Households	5 100	-	-	5 100	4 979	121	97.6%	150	-
<b>Payments for capital assets</b>	<b>425</b>	-	-	<b>425</b>	<b>150</b>	<b>275</b>	<b>35.3%</b>	<b>1 000</b>	<b>121</b>
Machinery and equipment	425	-	-	425	150	275	35.3%	1 000	121
<b>Payments for financial assets</b>	<b>-</b>	<b>3 154</b>	-	<b>3 154</b>	<b>3 154</b>	-	<b>100.0%</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>34 204</b>	<b>8 407</b>	-	<b>42 611</b>	<b>41 825</b>	<b>786</b>	<b>98.2%</b>	<b>16 699</b>	<b>13 826</b>

Programme 3: Expanded Public Works Programme									
Sub programme	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Expanded Public Works Programme: Monitoring and Evaluation	62 475	8	-	62 483	49 613	12 870	79.4%	70 853	68 367
2. Expanded Public Works Programme: Infrastructure	1 193 363	3 461	(2 801)	1 194 023	1 184 272	9 751	99.2%	1 177 130	1 177 085
3. Expanded Public Works Programme: Operations	1 075 188	(8)	-	1 075 180	1 067 829	7 351	99.3%	1 007 845	997 378
4. Expanded Public Works Programme: Partnership Support	68 979	(3 470)	(1 825)	63 684	60 290	3 394	94.7%	57 173	53 897
5. Expanded Public Works Programme: Public Employment Coordinating Commission	7 578	9	-	7 587	5 801	1 786	76.5%	6 499	4 719
<b>Total for sub programmes</b>	<b>2 407 583</b>	<b>-</b>	<b>(4 626)</b>	<b>2 402 957</b>	<b>2 367 805</b>	<b>35 152</b>	<b>98.5%</b>	<b>2 319 500</b>	<b>2 301 446</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>308 290</b>	<b>(158)</b>	<b>(4 174)</b>	<b>303 958</b>	<b>269 422</b>	<b>34 536</b>	<b>88.6%</b>	<b>289 557</b>	<b>272 082</b>
Compensation of employees	156 379	-	(1 711)	154 668	148 070	6 598	95.7%	153 641	152 622
Salaries and wages	139 643	-	(1 711)	137 932	131 643	6 289	95.4%	137 992	137 132
Social contributions	16 736	-	-	16 736	16 427	309	98.2%	15 649	15 490
Goods and services	151 911	(158)	(2 463)	149 290	121 352	27 938	81.3%	135 916	119 460
Administrative fees	-	-	-	-	-	-	-	1	1
Advertising	1 828	826	-	2 654	2 396	258	90.3%	2 346	2 182
Minor assets	212	106	-	318	189	129	59.4%	272	182
Catering: Departmental activities	1 008	-	-	1 008	794	214	78.8%	539	524
Communication (G&S)	1 484	(118)	-	1 366	912	454	66.8%	1 215	1 035
Computer services	158	-	-	158	-	158	-	154	-
Consultants: Business and advisory services	12 917	(8 699)	-	4 218	1 077	3 141	25.5%	709	709
Infrastructure and planning services	9 899	(1 523)	(2 463)	5 913	-	5 913	-	32 222	32 222



Programme 3: Expanded Public Works Programme									
	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Contractors	218	4	-	222	33	189	14.9%	240	171
Agency and support / outsourced services	97 316	9 478	-	106 794	94 287	12 507	88.3%	69 749	58 368
Entertainment	79	1	-	80	37	43	46.3%	78	42
Fleet services	718	6	-	724	306	418	42.3%	430	365
Consumable supplies	715	(506)	-	209	27	182	12.9%	661	130
Consumable: Stationery, printing and office supplies	2 496	(603)	-	1 893	1 294	599	68.4%	2 131	1 807
Operating leases	1 194	(4)	-	1 190	700	490	58.8%	730	710
Travel and subsistence	18 453	554	-	19 007	16 744	2 263	88.1%	18 887	16 362
Training and development	191	92	-	283	145	138	51.2%	403	403
Operating payments	1 169	(327)	-	842	603	239	71.6%	1 044	337
Venues and facilities	1 416	553	-	1 969	1 474	495	74.9%	3 004	2 809
Rental and hiring	440	2	-	442	334	108	75.6%	1 101	1 101
<b>Transfers and subsidies</b>	<b>2 096 681</b>	<b>-</b>	<b>(114)</b>	<b>2 096 567</b>	<b>2 096 562</b>	<b>5</b>	<b>100.0%</b>	<b>2 027 186</b>	<b>2 027 186</b>
Provinces and municipalities	1 472 609	-	-	1 472 609	1 472 609	-	100.0%	1 425 662	1 425 662
Provinces	781 162	-	-	781 162	781 162	-	100.0%	761 671	761 671
Provincial Revenue Funds	781 162	-	-	781 162	781 162	-	100.0%	761 671	761 671
Municipalities	691 447	-	-	691 447	691 447	-	100.0%	663 991	663 991
Municipal bank accounts	691 447	-	-	691 447	691 447	-	100.0%	663 991	663 991
Non-profit institutions	623 904	-	-	623 904	623 904	-	100.0%	600 257	600 257
Households	168	-	(114)	54	49	5	90.7%	1 267	1 267
Social benefits	168	-	(114)	54	49	5	90.7%	1 267	1 267
<b>Payments for capital assets</b>	<b>2 612</b>	<b>-</b>	<b>(338)</b>	<b>2 274</b>	<b>1 663</b>	<b>611</b>	<b>73.1%</b>	<b>2 488</b>	<b>1 909</b>
Machinery and equipment	2 612	-	(338)	2 274	1 663	611	73.1%	2 488	1 909
Other machinery and equipment	2 612	-	(338)	2 274	1 663	611	73.1%	2 488	1 909
<b>Payment for financial assets</b>	<b>-</b>	<b>158</b>	<b>-</b>	<b>158</b>	<b>158</b>	<b>-</b>	<b>100.0%</b>	<b>269</b>	<b>269</b>
<b>Total</b>	<b>2 407 583</b>	<b>-</b>	<b>(4 626)</b>	<b>2 402 957</b>	<b>2 367 805</b>	<b>35 152</b>	<b>98.5%</b>	<b>2 319 500</b>	<b>2 301 446</b>

<b>3.1 Expanded Public Works Programme: Monitoring and Evaluation</b>									
<b>2017/18</b>							<b>2016/17</b>		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>62 101</b>	<b>(13)</b>	-	<b>62 088</b>	<b>49 218</b>	<b>12 870</b>	<b>79.3%</b>	<b>68 871</b>	<b>66 385</b>
Compensation of employees	25 139	-	-	25 139	24 490	649	97.4%	34 352	34 210
Goods and services	36 962	(13)	-	36 949	24 728	12 221	66.9%	34 519	32 175
<b>Transfers and subsidies</b>	-	-	-	-	-	-	-	<b>1 174</b>	<b>1 174</b>
<b>Payments for capital assets</b>	<b>374</b>	<b>8</b>	-	<b>382</b>	<b>382</b>	-	<b>100.0%</b>	<b>550</b>	<b>550</b>
<b>Payment for financial assets</b>	-	<b>13</b>	-	<b>13</b>	<b>13</b>	-	<b>100.0%</b>	<b>258</b>	<b>258</b>
<b>Total</b>	<b>62 475</b>	<b>8</b>	-	<b>62 483</b>	<b>49 613</b>	<b>12 870</b>	<b>79.4%</b>	<b>70 853</b>	<b>68 367</b>

<b>3.2 Expanded Public Works Programme: Infrastructure</b>									
<b>2017/18</b>							<b>2016/17</b>		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>105 690</b>	<b>3 420</b>	<b>(2 463)</b>	<b>106 647</b>	<b>96 900</b>	<b>9 747</b>	<b>90.9%</b>	<b>110 614</b>	<b>110 614</b>
Compensation of employees	47 014	3 461	-	50 475	50 475	-	100.0%	53 172	53 172
Goods and services	58 676	(41)	(2 463)	56 172	46 425	9 747	82.6%	57 442	57 442
<b>Transfers and subsidies</b>	<b>1 087 026</b>	-	-	<b>1 087 026</b>	<b>1 087 026</b>	-	<b>100.0%</b>	<b>1 066 000</b>	<b>1 066 000</b>
<b>Payments for capital assets</b>	<b>647</b>	-	<b>(338)</b>	<b>309</b>	<b>305</b>	<b>4</b>	<b>98.7%</b>	<b>516</b>	<b>471</b>
<b>Payment for financial assets</b>	-	<b>41</b>	-	<b>41</b>	<b>41</b>	-	<b>100.0%</b>	-	-
<b>Total</b>	<b>1 193 363</b>	<b>3 461</b>	<b>(2 801)</b>	<b>1 194 023</b>	<b>1 184 272</b>	<b>9 751</b>	<b>99.2%</b>	<b>1 177 130</b>	<b>1 177 085</b>

3.3 Expanded Public Works Programme: Operations									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>65 306</b>	<b>(16)</b>	-	<b>65 290</b>	<b>58 171</b>	<b>7 119</b>	<b>89.1%</b>	<b>47 435</b>	<b>37 161</b>
Compensation of employees	25 577	-	-	25 577	22 779	2 798	89.1%	21 918	21 507
Goods and services	39 729	(16)	-	39 713	35 392	4 321	89.1%	25 517	15 654
<b>Transfers and subsidies</b>	<b>1 009 487</b>	-	-	<b>1 009 487</b>	<b>1 009 487</b>	-	<b>100.0%</b>	<b>959 994</b>	<b>959 994</b>
Households	-	-	-	-	-	-	-	75	75
<b>Payments for capital assets</b>	<b>395</b>	<b>(8)</b>	-	<b>387</b>	<b>155</b>	<b>232</b>	<b>40.1%</b>	<b>416</b>	<b>223</b>
Payment for financial assets	-	16	-	16	16	-	100.0%	-	-
<b>Total</b>	<b>1 075 188</b>	<b>(8)</b>	-	<b>1 075 180</b>	<b>1 067 829</b>	<b>7 351</b>	<b>99.3%</b>	<b>1 007 845</b>	<b>997 378</b>

3.4 Expanded Public Works Programme: Partnership Support									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>67 825</b>	<b>(3 502)</b>	<b>(1 711)</b>	<b>62 612</b>	<b>59 478</b>	<b>3 134</b>	<b>95.0%</b>	<b>56 315</b>	<b>53 254</b>
Compensation of employees	53 873	(3 461)	(1 711)	48 701	46 470	2 231	95.4%	40 353	40 353
Goods and services	13 952	(41)	-	13 911	13 008	903	93.5%	15 962	12 901
<b>Transfers and subsidies</b>	<b>168</b>	<b>(9)</b>	<b>(114)</b>	<b>45</b>	<b>40</b>	<b>5</b>	<b>88.9%</b>	<b>18</b>	<b>18</b>
<b>Payments for capital assets</b>	<b>986</b>	-	-	<b>986</b>	<b>731</b>	<b>255</b>	<b>74.1%</b>	<b>829</b>	<b>614</b>
Payment for financial assets	-	41	-	41	41	-	100.0%	11	11
<b>Total</b>	<b>68 979</b>	<b>(3 470)</b>	<b>(1 825)</b>	<b>63 684</b>	<b>60 290</b>	<b>3 394</b>	<b>94.7%</b>	<b>57 173</b>	<b>53 897</b>

3.5 Expanded Public Works Programme: Public Employment Coordinating Commission									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>7 368</b>	<b>(47)</b>	-	<b>7 321</b>	<b>5 655</b>	<b>1 666</b>	<b>77.2%</b>	<b>6 322</b>	<b>4 668</b>
Compensation of employees	4 776	-	-	4 776	3 856	920	80.7%	3 846	3 380
Goods and services	2 592	(47)	-	2 545	1 799	746	70.7%	2 476	1 288
<b>Transfers and subsidies</b>	-	<b>9</b>	-	<b>9</b>	<b>9</b>	-	<b>100.0%</b>	-	-
<b>Payments for capital assets</b>	<b>210</b>	-	-	<b>210</b>	<b>90</b>	<b>120</b>	<b>42.9%</b>	<b>177</b>	<b>51</b>
<b>Payment for financial assets</b>	-	<b>47</b>	-	<b>47</b>	<b>47</b>	-	<b>100.0%</b>	-	-
<b>Total</b>	<b>7 578</b>	<b>9</b>	-	<b>7 587</b>	<b>5 801</b>	<b>1 786</b>	<b>76.5%</b>	<b>6 499</b>	<b>4 719</b>

Programme 4: Property and Construction Industry Policy and Research									
2017/18									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Sub programme</b>									
1. Construction Policy Development Programme	46 016	-	-	46 016	39 016	7 000	84.8%	26 109	21 699
2. Property Policy Development Programme	15 660	-	-	15 660	8 132	7 528	51.9%	13 326	11 726
3. Construction Industry Development Board	74 984	-	-	74 984	74 984	-	100.0%	52 059	52 059
4. Council for the Built Environment	48 568	-	-	48 568	48 568	-	100.0%	43 413	43 413
5. Independent Development Trust	111 066	-	-	111 066	111 066	-	100.0%	-	-
6. Construction Education and Training Authority	516	-	-	516	486	30	94.2%	500	469
7. Property Management Trading Entity	3 682 254	-	-	3 682 254	3 682 254	-	100.0%	3 389 448	3 389 448
8. Assistance to Organisations for the Preservation of National Memorials	22 342	-	-	22 342	22 342	-	100.0%	28 234	28 234
<b>Total for sub programmes</b>	<b>4 001 406</b>	<b>-</b>	<b>-</b>	<b>4 001 406</b>	<b>3 986 848</b>	<b>14 558</b>	<b>99.6%</b>	<b>3 553 089</b>	<b>3 547 048</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>31 175</b>	<b>(59)</b>	<b>-</b>	<b>31 116</b>	<b>16 753</b>	<b>14 363</b>	<b>53.8%</b>	<b>26 495</b>	<b>20 667</b>
Compensation of employees	15 546	(59)	-	15 487	10 870	4 617	70.2%	16 284	10 456
Salaries and wages	13 841	(59)	-	13 782	9 914	3 868	71.9%	14 460	9 452
Social contributions	1 705	-	-	1 705	956	749	56.1%	1 824	1 004
Goods and services	15 629	-	-	15 629	5 883	9 746	37.6%	10 211	10 211
Advertising	747	-	-	747	120	627	16.1%	294	294
Minor assets	64	-	-	64	12	52	18.8%	9	9
Catering: Departmental activities	5	30	-	35	35	-	100.0%	16	16
Communication (G&S)	290	-	-	290	65	225	22.4%	84	84
Consultants: Business and advisory services	10 127	(30)	-	10 097	3 500	6 597	34.7%	7 406	7 406

Programme 4: Property and Construction Industry Policy and Research									
	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Contractors	749	-	-	749	34	715	4.5%	-	-
Agency and support / outsourced services	700	(228)	-	472	-	472	-	-	-
Entertainment	10	-	-	10	6	4	60.0%	4	4
Fleet services	5	-	-	5	-	5	-	-	-
Consumable supplies	-	-	-	-	-	-	-	2	2
Consumable: Stationery, printing and office supplies	386	-	-	386	21	365	5.4%	32	32
Operating leases	172	-	-	172	-	172	-	-	-
Travel and subsistence	455	-	-	455	230	225	50.5%	729	729
Operating payments	1 657	228	-	1 885	1 860	25	98.7%	1 635	1 635
Venues and facilities	262	-	-	262	-	262	-	-	-
<b>Transfers and subsidies</b>	<b>3 969 931</b>	<b>59</b>	<b>-</b>	<b>3 969 990</b>	<b>3 969 960</b>	<b>30</b>	<b>100.0%</b>	<b>3 526 407</b>	<b>3 526 194</b>
Departmental agencies and accounts	3 835 367	-	-	3 835 367	3 835 337	30	100.0%	3 497 803	3 497 771
Foreign governments and international organisations	22 342	-	-	22 342	22 342	-	100.0%	28 234	28 234
Public corporations and private enterprises	111 066	-	-	111 066	111 066	-	100.0%	-	-
Public Corporation	111 066	-	-	111 066	111 066	-	100.0%	-	-
Other transfers to public corporation	111 066	-	-	111 066	111 066	-	100.0%	-	-
Non-profit institutions	120	-	-	120	120	-	100.0%	170	170
Households	1 036	59	-	1 095	1 095	-	100.0%	200	19
Social benefits	1 036	(166)	-	870	870	-	100.0%	200	19
Other transfers to households	-	225	-	225	225	-	100.0%	-	-
<b>Payments for capital assets</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>135</b>	<b>165</b>	<b>45.0%</b>	<b>164</b>	<b>164</b>
Machinery and equipment	300	-	-	300	135	165	45.0%	164	164
Other machinery and equipment	300	-	-	300	135	165	45.0%	164	164
<b>Payment for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>
<b>Total</b>	<b>4 001 406</b>	<b>-</b>	<b>-</b>	<b>4 001 406</b>	<b>3 986 848</b>	<b>14 558</b>	<b>99.6%</b>	<b>3 553 089</b>	<b>3 547 048</b>

4.1 Construction Policy Development Programme									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>16 426</b>	<b>(32)</b>	<b>-</b>	<b>16 394</b>	<b>9 506</b>	<b>6 888</b>	<b>58.0%</b>	<b>13 355</b>	<b>9 027</b>
Compensation of employees	8 126	(32)	-	8 094	5 663	2 431	70.0%	9 268	4 940
Goods and services	8 300	-	-	8 300	3 843	4 457	46.3%	4 087	4 087
<b>Transfers and subsidies</b>	<b>29 390</b>	<b>32</b>	<b>-</b>	<b>29 422</b>	<b>29 422</b>	<b>-</b>	<b>100.0%</b>	<b>12 653</b>	<b>12 571</b>
Payments for capital assets	200	-	-	200	88	112	44.0%	78	78
Payment for financial assets	-	-	-	-	-	-	-	23	23
<b>Total</b>	<b>46 016</b>	<b>-</b>	<b>-</b>	<b>46 016</b>	<b>39 016</b>	<b>7 000</b>	<b>84.8%</b>	<b>26 109</b>	<b>21 699</b>

4.2 Property Policy Development Programme									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>14 749</b>	<b>(27)</b>	<b>-</b>	<b>14 722</b>	<b>7 247</b>	<b>7 475</b>	<b>49.2%</b>	<b>13 140</b>	<b>11 640</b>
Compensation of employees	7 420	(27)	-	7 393	5 207	2 186	70.4%	7 016	5 516
Goods and services	7 329	-	-	7 329	2 040	5 289	27.8%	6 124	6 124
<b>Transfers and subsidies</b>	<b>811</b>	<b>27</b>	<b>-</b>	<b>838</b>	<b>838</b>	<b>-</b>	<b>100.0%</b>	<b>100</b>	<b>-</b>
Payments for capital assets	100	-	-	100	47	53	47.0%	86	86
<b>Total</b>	<b>15 660</b>	<b>-</b>	<b>-</b>	<b>15 660</b>	<b>8 132</b>	<b>7 528</b>	<b>51.9%</b>	<b>13 326</b>	<b>11 726</b>

4.3 Construction Industry Development Board									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	74 984	-	-	74 984	74 984	-	100.0%	52 059	52 059
Total	74 984	-	-	74 984	74 984	-	100.0%	52 059	52 059

4.4 Council for the Built Environment									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	48 568	-	-	48 568	48 568	-	100.0%	43 413	43 413
Total	48 568	-	-	48 568	48 568	-	100.0%	43 413	43 413

4.5 Independent Development Trust									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	111 066	-	-	111 066	111 066	-	100.0%	-	-
Total	111 066	-	-	111 066	111 066	-	100.0%	-	-



4.6 Construction Education and Training Authority									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	516	-	-	516	486	30	94.2%	500	469
<b>Total</b>	516	-	-	516	486	30	94.2%	500	469

4.7 Property Management Trading Entity									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	3 682 254	-	-	3 682 254	3 682 254	-	100.0%	3 389 448	3 389 448
<b>Total</b>	3 682 254	-	-	3 682 254	3 682 254	-	100.0%	3 389 448	3 389 448

4.8 Assistance to Organisations for the Preservation of National Memorials									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	22 342	-	-	22 342	22 342	-	100.0%	28 234	28 234
<b>Total</b>	22 342	-	-	22 342	22 342	-	100.0%	28 234	28 234

Programme 5: Prestige Policy									
	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Sub programme	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Prestige Accommodation and State Functions	74 585	-	160	74 745	69 557	5 188	93.1%	85 993	78 359
2. Parliamentary Villages Management Board	10 051	-	-	10 051	10 051	-	100.0%	9 572	9 572
<b>Total for sub programmes</b>	<b>84 636</b>	<b>-</b>	<b>160</b>	<b>84 796</b>	<b>79 608</b>	<b>5 188</b>	<b>93.9%</b>	<b>95 565</b>	<b>87 931</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>69 385</b>	<b>-</b>	<b>1 711</b>	<b>71 096</b>	<b>66 072</b>	<b>5 024</b>	<b>92.9%</b>	<b>75 264</b>	<b>70 227</b>
Compensation of employees	25 183	-	1 711	26 894	26 894	-	100.0%	26 265	21 337
Salaries and wages	22 507	-	992	23 499	23 499	-	100.0%	23 376	18 843
Social contributions	2 676	-	719	3 395	3 395	-	100.0%	2 889	2 494
Goods and services	44 202	-	-	44 202	39 178	5 024	88.6%	48 999	48 890
Advertising	46	-	-	46	15	31	32.6%	278	278
Minor assets	4 991	(1 619)	-	3 372	2 158	1 214	64.0%	2 635	2 584
Catering: Departmental activities	45	-	-	45	37	8	82.2%	12	1
Communication (G&S)	223	-	-	223	182	41	81.6%	192	183
Consultants: Business and advisory services	-	407	-	407	407	-	100.0%	-	-
Legal services	-	53	-	53	53	-	100.0%	-	-
Contractors	25 914	5 187	-	31 101	31 101	-	100.0%	19 569	19 569
Agency and support / outsourced services	4 538	(4 028)	-	510	510	-	100.0%	14 267	14 267
Entertainment	105	-	-	105	4	101	3.8%	25	3
Fleet services (including government motor transport)	165	224	-	389	389	-	100.0%	558	558

Programme 5: Prestige Policy									
	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Consumable supplies	428	-	-	428	351	77	82.0%	1 131	1 131
Consumable: Stationery, printing and office supplies	620	-	-	620	95	525	15.3%	202	186
Operating leases	652	608	-	1 260	1 260	-	100.0%	1 284	1 284
Property payments	275	-	-	275	25	250	9.1%	6 325	6 325
Travel and subsistence	4 384	(834)	-	3 550	1 993	1 557	56.1%	1 565	1 565
Training and development	-	2	-	2	2	-	100.0%	-	-
Operating payments	735	-	-	735	553	182	75.2%	936	936
Venues and facilities	604	-	-	604	21	583	3.5%	-	-
Rental and hiring	477	-	-	477	22	455	4.6%	20	20
<b>Transfers and subsidies</b>	<b>10 251</b>	<b>-</b>	<b>-</b>	<b>10 251</b>	<b>10 087</b>	<b>164</b>	<b>98.4%</b>	<b>9 772</b>	<b>9 764</b>
Departmental agencies and accounts	10 051	-	-	10 051	10 051	-	100.0%	9 572	9 572
Departmental agencies (non-business entities)	10 051	-	-	10 051	10 051	-	100.0%	9 572	9 572
Households	200	-	-	200	36	164	18.0%	200	192
Social benefits	200	-	-	200	36	164	18.0%	200	192
<b>Payments for capital assets</b>	<b>5 000</b>	<b>-</b>	<b>(1 551)</b>	<b>3 449</b>	<b>3 449</b>	<b>-</b>	<b>100.0%</b>	<b>10 529</b>	<b>7 940</b>
Machinery and equipment	5 000	-	(1 551)	3 449	3 449	-	100.0%	10 529	7 940
Other machinery and equipment	5 000	-	(1 551)	3 449	3 449	-	100.0%	10 529	7 940
<b>Total</b>	<b>84 636</b>	<b>-</b>	<b>160</b>	<b>84 796</b>	<b>79 608</b>	<b>5 188</b>	<b>93.9%</b>	<b>95 565</b>	<b>87 931</b>

5.1 Prestige Accommodation and State Function									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Current payments</b>	<b>69 385</b>	<b>-</b>	<b>1 711</b>	<b>71 096</b>	<b>66 072</b>	<b>5 024</b>	<b>92.9%</b>	<b>75 264</b>	<b>70 227</b>
Compensation of employees	25 183	-	1 711	26 894	26 894	-	100.0%	26 265	21 337
Goods and services	44 202	-	-	44 202	39 178	5 024	88.6%	48 999	48 890
<b>Transfers and subsidies</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>36</b>	<b>164</b>	<b>18.0%</b>	<b>200</b>	<b>192</b>
<b>Payments for capital assets</b>	<b>5 000</b>	<b>-</b>	<b>(1 551)</b>	<b>3 449</b>	<b>3 449</b>	<b>-</b>	<b>100.0%</b>	<b>10 529</b>	<b>7 940</b>
<b>Total</b>	<b>74 585</b>	<b>-</b>	<b>160</b>	<b>74 745</b>	<b>69 557</b>	<b>5 188</b>	<b>93.1%</b>	<b>85 993</b>	<b>78 359</b>

5.2 Parliamentary Villages Management Board									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
<b>Economic classification</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>Transfers and subsidies</b>	<b>10 051</b>	<b>-</b>	<b>-</b>	<b>10 051</b>	<b>10 051</b>	<b>-</b>	<b>100.0%</b>	<b>9 572</b>	<b>9 572</b>
<b>Total</b>	<b>10 051</b>	<b>-</b>	<b>-</b>	<b>10 051</b>	<b>10 051</b>	<b>-</b>	<b>100.0%</b>	<b>9 572</b>	<b>9 572</b>

**NOTES TO THE APPROPRIATION STATEMENT**

for the year ended 31 March 2018

**1. Detail of transfers and subsidies as per Appropriation Act (after Virement):**

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-F) to the Annual Financial Statements.

**2. Detail of specifically and exclusively appropriated amounts voted (after Virement):**

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

**3. Detail on payments for financial assets**

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

**4. Explanations of material variances from Amounts Voted (after Virement)**

<b>4.1 Per programme</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
Administration	447 741	447 607	134	0%
Intergovernmental Coordination	48 230	45 419	2 811	6%
Expanded Public Works Programme	2 402 957	2 367 805	35 152	1%
Property and Construction Industry Policy and Research	4 001 406	3 986 848	14 558	0%
Prestige Policy	84 796	79 608	5 188	6%

<b>Per programme</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>
Intergovernmental Coordination	48 230	45 419	2 811	6%

Expenditure variance of 6% in Programme 2 is due to underspending on compensation of employees, goods and services as well as payment for capital assets. Compensation of employees under spending of R1.3 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions. Goods and services under spending of R907 000 is mainly due to expenditure planned to support the development of plans and processes for the newly established branch (Professional Services), however, due to the delay in the implementation of the matching and placing the funds could not be spent as initially planned. Payment for capital assets under spending of R390 000 is due to a delay in the planned acquisition of assets resulting from unfilled vacant positions.

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2018

Per programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Expanded Public Works Programme	2 402 957	2 367 805	35 152	1%

Expenditure variance of 1% in Programme 3 is due to underspending on compensation of employees and goods and services. Compensation of employees under spending of R7 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions. Goods and services under spending of R28 million was due to a delay in the implementation of infrastructure, social, environment and culture projects for the Expanded Public Works Programme.

Per programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Property and Construction Industry Policy and Research	4 001 406	3 986 848	14 558	0%

Expenditure variance of 0% in Programme 4 is due to underspending on compensation of employees and goods and services. Compensation of employees under spending of R5 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions. Goods and services under spending of R10 million is mainly due to a delay in entering into new agreements with the Property and Construction Charter institutions which resulted in the planned payment to both Property and Construction Charter Councils not being paid in the current financial year.

Per programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Prestige Policy	84 796	79 608	5 188	6%

Expenditure variance of 6% in Programme 5 mainly relates to goods and services of R5 million underspent due to the implementation of the term contracts for State Functions.

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2018

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
<b>Current payments</b>				
Compensation of employees	457 552	444 994	12 558	3%
Goods and services	413 169	369 421	43 748	11%
Interest and rent on land	1 806	1 806	-	0%
<b>Transfers and subsidies</b>				
Provinces and municipalities	1 472 615	1 472 615	-	0%
Departmental agencies and accounts	3 845 418	3 845 388	30	0%
Public corporations and private enterprises	111 066	111 066	-	0%
Foreign governments and international organisations	22 342	22 342	-	0%
Non-profit institutions	624 024	624 024	-	0%
Households	13 894	13 554	340	2%
<b>Payments for capital assets</b>				
Machinery and equipment	17 960	16 794	1 166	6%
Intangible assets	62	62	-	0%
<b>Payments for financial assets</b>	5 222	5 222	-	0%

Explanation of variance is mainly due to:

Compensation of employees under spending of R13 million is mainly due to the delay in implementing the matching and placing process which consequently affected the advertising and filling of vacant positions.

Goods and services underspending of R44 million is due to the following:

- Expenditure planned to support the development of plans and processes for the newly established branch (Professional Services), however, due to the delay in the implementation of the matching and placing the funds could not be spent as initially planned.
- A delay in finalising the implementation of the infrastructure, social, environment and culture projects for the Expanded Public Works Programme.
- A delay in entering into new agreements with the Property and Construction Charter institutions which resulted in the planned payment to both Property and Construction Charter Councils not being paid in the current financial year.
- Saving resulting in implementation of the term contracts for State Functions.

Payments for capital assets underspending of R1.2 million is due to delay in the planned acquisition of assets.

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Approp.
Per conditional grant	R'000	R'000	R'000	%
EPWP Integrated Grant for Municipalities	691 447	691 447	-	0%
EPWP Integrated Grant for Provinces	395 579	395 579	-	0%
Social Sector EPWP Grant for Provinces	385 583	385 583	-	0%

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**

**STATEMENT OF FINANCIAL PERFORMANCE**

for the year ended 31 March 2018

	Note	2017/18 R'000	2016/17 R'000
<b>REVENUE</b>			
Annual appropriation	1	6 985 130	6 512 799
Departmental revenue	2	10 358	14 608
<b>TOTAL REVENUE</b>		<b>6 995 488</b>	<b>6 527 407</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	3	444 994	438 827
Goods and services	4	369 420	366 111
Interest and rent on land	5	1 806	-
<b>Total current expenditure</b>		<b>816 220</b>	<b>804 938</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	7	6 088 989	5 571 249
<b>Total transfers and subsidies</b>		<b>6 088 989</b>	<b>5 571 249</b>
<b>Expenditure for capital assets</b>			
Tangible assets	8	16 794	19 722
Intangible assets	8	62	6 057
<b>Total expenditure for capital assets</b>		<b>16 856</b>	<b>25 779</b>
<b>Payments for financial assets</b>	6	<b>5 222</b>	<b>1 399</b>
<b>TOTAL EXPENDITURE</b>		<b>6 927 287</b>	<b>6 403 365</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>68 201</b>	<b>124 042</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds		<b>57 843</b>	<b>109 434</b>
Annual appropriation		57 843	109 434
Departmental revenue and NRF Receipts	14	10 358	14 608
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>68 201</b>	<b>124 042</b>



# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2018

	Note	2017/18 R'000	2016/17 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>294 080</b>	<b>847 775</b>
Unauthorised expenditure	9	261 169	261 169
Cash and cash equivalents	10	125	126
Prepayments and advances	11	14 847	11 618
Receivables	12	17 939	574 862
<b>Non-current assets</b>		<b>84 091</b>	<b>58 117</b>
Receivables	12	84 091	58 117
<b>TOTAL ASSETS</b>		<b>378 171</b>	<b>905 892</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>373 659</b>	<b>900 724</b>
Voted funds to be surrendered to the Revenue Fund	13	57 843	109 436
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	14	8 769	10 882
Bank overdraft	15	277 932	753 659
Payables	16	29 115	26 747
<b>TOTAL LIABILITIES</b>		<b>373 659</b>	<b>900 724</b>
<b>NET ASSETS</b>		<b>4 512</b>	<b>5 168</b>
<b>Represented by:</b>			
Recoverable revenue		4 512	5 168
<b>TOTAL</b>		<b>4 512</b>	<b>5 168</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**STATEMENT OF CHANGES IN NET ASSETS**

for the year ended 31 March 2018

	Note	2017/18 R'000	2016/17 R'000
<b>Recoverable revenue</b>			
Opening balance		5 168	4 998
Transfers:		(656)	170
Debts recovered (included in departmental receipts)		(656)	-
Debt raised		-	170
Closing balance		4 512	5 168
<b>TOTAL</b>		<b>4 512</b>	<b>5 168</b>

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## CASH FLOW STATEMENT

for the year ended 31 March 2018

	Note	2017/18 R'000	2016/17 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>6 995 488</b>	<b>6 527 337</b>
Annual appropriated funds received	1.1	6 985 130	6 512 799
Departmental revenue received		1 860	2 177
Interest received	2.2	8 498	12 361
Net (increase)/decrease in working capital		530 088	(189 244)
Surrendered to Revenue Fund		(121 907)	(40 140)
Current payments		(814 414)	(804 938)
Interest Paid		(1 806)	-
Payments for financial assets	6	(5 222)	(1 399)
Transfers and subsidies paid		(6 088 989)	(5 571 249)
<b>Net cash flow available from operating activities</b>	17	<b>493 238</b>	<b>(79 633)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8.1	(16 856)	(25 779)
Proceeds from sale of capital assets	2.3	-	70
(Increase)/decrease in loans		-	-
<b>Net cash flows from investing activities</b>		<b>(16 856)</b>	<b>(25 709)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		(656)	170
<b>Net cash flows from financing activities</b>		<b>(656)</b>	<b>170</b>
Net increase/(decrease) in cash and cash equivalents		475 726	(105 172)
Cash and cash equivalents at beginning of period		(753 533)	(648 361)
<b>Cash and cash equivalents at end of period</b>	18	<b>(277 807)</b>	<b>(753 533)</b>

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **Summary of significant accounting policies**

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. Management has concluded that the financial statements present fairly the department's primary and secondary information.

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

### **1. Basis of preparation**

The financial statements have been prepared in accordance with the Modified Cash Standard.

### **2. Going concern**

The financial statements have been prepared on a going concern basis.

### **3. Presentation currency**

Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

### **4. Rounding**

Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).

### **5. Foreign currency translation**

Cash flows arising from foreign currency transactions are translated into South African Rands using the spot exchange rates prevailing at the date of payment / receipt.

### **6. Comparative information**

#### **6.1 Prior period comparative information**

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

#### **6.2 Current year comparison with budget**

A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **7. Revenue**

#### **7.1 Appropriated funds**

Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.

The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.

#### **7.2 Departmental revenue**

Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

#### **7.3 Accrued departmental revenue**

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and
- the amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable.

Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

Write-offs are made according to the department's debt write-off policy.

### **8. Expenditure**

#### **8.1 Compensation of employees**

##### **8.1.1 Salaries and wages**

Salaries and wages are recognised in the statement of financial performance on the date of payment.

##### **8.1.2 Social contributions**

Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.

Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **8.2 Other expenditure**

Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

### **8.3 Accruals and payables not recognised**

Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.

### **8.4 Leases**

#### **8.4.1 Operating leases**

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.

The operating lease commitments are recorded in the notes to the financial statements.

#### **8.4.2 Finance leases**

Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.

The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

## **9. Aid Assistance**

### **9.1 Aid assistance received**

Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.

Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.

### **9.2 Aid assistance paid**

Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.

## **10. Cash and cash equivalents**

Cash and cash equivalents are stated at cost in the statement of financial position.

Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **11. Prepayments and advances**

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost.

### **12. Loans and receivables**

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. Write-offs are made according to the department's write-off policy.

### **13. Investments**

Investments are recognised in the statement of financial position at cost.

### **14. Financial assets**

#### **14.1 Financial assets (not covered elsewhere)**

A financial asset is recognised initially at its cost plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At the reporting date, a department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.

#### **14.2 Impairment of financial assets**

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.

### **15. Payables**

Payables recognised in the statement of financial position are recognised at cost.

### **16. Capital Assets**

#### **16.1 Movable capital assets**

Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **16.2 Intangible assets**

Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.

Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.

## **17. Provisions and Contingents**

### **17.1 Provisions**

Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

### **17.2 Contingent liabilities**

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

### **17.3 Contingent assets**

Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.

### **17.4 Commitments**

Commitments (other than for transfers and subsidies) are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.



## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **18. Unauthorised expenditure**

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament with funding and the related funds are received; or
- approved by Parliament without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

### **19. Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

### **20. Irregular expenditure**

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

### **21. Changes in accounting policies, accounting estimates and errors**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such instances the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with MCS requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### **22. Events after the reporting date**

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.

## **ACCOUNTING POLICIES**

for the year ended 31 March 2018

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### **23. Principal-Agent arrangements**

The department is party to a principal-agent arrangement. In terms of the arrangement the department is the principal agent. All related revenues, expenditures, assets and liabilities have been recognised or recorded in terms of the relevant policies listed herein. Additional disclosures have been provided in the notes to the financial statements where appropriate.

### **24. Capitalisation reserve**

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

### **25. Recoverable revenue**

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

### **26. Related party transactions**

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions within the Minister/MEC's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. The number of individuals and their full compensation is recorded in the notes to the financial statements.

### **27. Inventories**

At the date of acquisition, inventories are recognised at cost in the statement of financial performance.

Where inventories are acquired as part of a non-exchange transaction, the inventories are measured at fair value as at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value or where intended for distribution (or consumed in the production of goods for distribution) at no or a nominal charge, the lower of cost and current replacement value.

The cost of inventories is assigned by using the weighted average cost basis.

### **28. Public-Private Partnerships**

Public Private Partnerships are accounted for based on the nature and or the substance of the partnership. The transaction is accounted for in accordance with the relevant accounting policies.

A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of commencement thereof together with the description and nature of the concession fees received, the unitary fees paid, rights and obligations of the department are recorded in the notes to the financial statements.

### **29. Employee benefits**

The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed in the Employee benefits note.

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 1. Annual Appropriation

### 1.1 Annual Appropriation

	2017/18		2016/17	
	Final Appropriation	Actual Funds Received	Final Appropriation	Appropriation received
	R'000	R'000	R'000	R'000
Administration	447 741	447 741	516 006	516 006
Intergovernmental Coordination	48 230	48 230	28 639	28 639
Expanded Public Works Programme	2 402 957	2 402 957	2 319 500	2 319 500
Property and Construction Industry Policy and Research	4 001 406	4 001 406	3 553 089	3 553 089
Prestige Policy	84 796	84 796	95 565	95 565
<b>Total</b>	<b>6 985 130</b>	<b>6 985 130</b>	<b>6 512 799</b>	<b>6 512 799</b>

## 2. Departmental revenue

	Note	2017/18	2016/17
		R'000	R'000
Sales of goods and services other than capital assets	2.1	295	1 261
Interest, dividends and rent on land	2.2	8 498	12 361
Sales of capital assets	2.3	-	70
Transactions in financial assets and liabilities	2.4	1 565	916
<b>Departmental revenue collected</b>		<b>10 358</b>	<b>14 608</b>

### 2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	<b>283</b>	<b>1 222</b>
Other sales	283	1 222
Sales of scrap, waste and other used current goods	12	39
<b>Total</b>	<b>295</b>	<b>1 261</b>

### 2.2 Interest, dividends and rent on land

Interest	8 498	12 361
<b>Total</b>	<b>8 498</b>	<b>12 361</b>

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 2.3 Sale of capital assets

	Note	2017/18 R'000	2016/17 R'000
<b>Tangible assets</b>			
Machinery and Equipment	2	-	70
<b>Total</b>		<b>-</b>	<b>70</b>

#### 2.4 Transactions in financial assets and liabilities

Receivables	816	799
Other Receipts including Recoverable Revenue	749	117
<b>Total</b>	<b>1 565</b>	<b>916</b>

### 3. Compensation of employees

#### 3.1 Salaries and Wages

	3		
Basic salary		299 054	294 147
Performance award		6 328	4 662
Service Based		163	158
Compensative/circumstantial		11 990	17 675
Periodic payments		1 216	912
Other non-pensionable allowances		78 617	76 343
<b>Total</b>		<b>397 368</b>	<b>393 897</b>

#### 3.2 Social contributions

<b>Employer contributions</b>	3		
Pension		36 472	33 711
Medical		11 043	11 158
Bargaining council		111	61
<b>Total</b>		<b>47 626</b>	<b>44 930</b>
<b>Total compensation of employees</b>		<b>444 994</b>	<b>438 827</b>
Average number of employees		<b>875</b>	<b>1 270</b>

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 4. Goods and services

	Note	2017/18 R'000	2016/17 R'000
Administrative fees		1 062	1 429
Advertising		4 791	4 277
Minor assets	4.1	2 730	3 399
Bursaries (employees)		155	48
Catering		2 851	1 724
Communication		5 680	5 912
Computer services	4.2	48 450	31 585
Consultants: Business and advisory services		28 642	25 700
Infrastructure and planning services		-	32 222
Legal services		16 955	17 402
Contractors		32 321	22 766
Agency and support / outsourced services		100 251	90 920
Entertainment		159	160
Audit cost – external	4.3	12 378	9 605
Fleet services		2 576	2 134
Consumables	4.4	6 558	11 748
Operating leases		24 006	20 520
Property payments	4.5	16 934	27 485
Rental and hiring		402	1 139
Travel and subsistence	4.6	48 002	38 809
Venues and facilities		4 745	5 117
Training and development		4 814	6 168
Other operating expenditure	4.7	4 958	5 842
<b>Total</b>		<b>369 420</b>	<b>366 111</b>

#### 4.1 Minor assets

##### Tangible assets

Machinery and equipment	2 730	3 399
<b>Total</b>	<b>2 730</b>	<b>3 399</b>

#### 4.2 Computer services

SITA computer services	33 771	10 492
External computer service providers	14 679	21 093
<b>Total</b>	<b>48 450</b>	<b>31 585</b>

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 4.3 Audit cost – External

	Note	2017/18 R'000	2016/17 R'000
Regularity audits		12 378	9 605
<b>Total</b>		<b>12 378</b>	<b>9 605</b>

#### 4.4 Consumables

	4	2 222	5 670
Consumable supplies			
Uniform and clothing		659	1 020
Household supplies		330	1 021
Building material and supplies		30	1 340
Communication accessories		-	8
IT consumables		1 139	2 242
Other consumables		64	39
Stationery, printing and office supplies		4 336	6 078
<b>Total</b>		<b>6 558</b>	<b>11 748</b>

#### 4.5 Property payments

	4		
Municipal services		16 129	19 085
Property management fees		805	954
Property maintenance and repairs		-	7 446
<b>Total</b>		<b>16 934</b>	<b>27 485</b>

#### 4.6 Travel and subsistence

	4		
Local		46 053	37 674
Foreign		1 949	1 135
<b>Total</b>		<b>48 002</b>	<b>38 809</b>

#### 4.7 Other operating expenditure

	4		
Professional bodies, membership and subscription fees		2 031	2 621
Resettlement costs		23	136
Other		2 904	3 085
<b>Total</b>		<b>4 958</b>	<b>5 842</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 5. Interest and rent on land

	Note	2017/18 R'000	2016/17 R'000
Interest paid		1 806	-
<b>Total</b>		<b>1 806</b>	<b>-</b>

## 6. Payments for financial assets

Other material losses written off	6.1	3 657	1 037
Debts written off	6.2	1 565	362
<b>Total</b>		<b>5 222</b>	<b>1 399</b>

## 6.1 Other material losses written off

## Nature of losses

Recoverable expenditure		3 657	1 037
<b>Total</b>		<b>3 657</b>	<b>1 037</b>

## 6.2 Debts written off

## Nature of debts written off

BAS Debts		1 565	362
<b>Total</b>		<b>1 565</b>	<b>362</b>

## 7. Transfers and subsidies

Provinces and municipalities	34, 35	1 472 615	1 425 666
Departmental agencies and accounts	<i>Annex 1B</i>	3 845 388	3 507 343
Foreign governments and international organisations	<i>Annex 1D</i>	22 342	28 234
Public corporations and private enterprises	<i>Annex 1C</i>	111 066	-
Non-profit institutions	<i>Annex 1E</i>	624 024	600 427
Households	<i>Annex 1F</i>	13 554	9 579
<b>Total</b>		<b>6 088 989</b>	<b>5 571 249</b>

## 8. Expenditure for capital assets

<b>Tangible assets</b>		<b>16 794</b>	<b>19 722</b>
Machinery and equipment	30	16 794	19 722
<b>Intangible assets</b>		<b>62</b>	<b>6 057</b>
Software	31	62	6 057
<b>Total</b>		<b>16 856</b>	<b>25 779</b>

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 8.1 Analysis of funds utilised to acquire capital assets – 2017/18

	Voted funds	Total
	R'000	R'000
<b>Tangible assets</b>	<b>16 794</b>	<b>16 794</b>
Machinery and equipment	16 794	16 794
<b>Intangible assets</b>	<b>62</b>	<b>62</b>
Software	62	62
<b>Total</b>	<b>16 856</b>	<b>16 856</b>

#### 8.2 Analysis of funds utilised to acquire capital assets – 2016/17

	Voted funds	Total
	R'000	R'000
<b>Tangible assets</b>	<b>19 722</b>	<b>19 722</b>
Machinery and equipment	19 722	19 722
<b>Intangible assets</b>	<b>6 057</b>	<b>6 057</b>
Software	6 057	6 057
<b>Total</b>	<b>25 779</b>	<b>25 779</b>

#### 8.3 Finance lease expenditure included in expenditure for capital assets

	2017/18	2016/17
	R'000	R'000
<b>Tangible assets</b>	<b>4 129</b>	<b>4 040</b>
Machinery and equipment	4 129	4 040
<b>Total</b>	<b>4 129</b>	<b>4 040</b>

### 9. Unauthorised expenditure

#### 9.1 Reconciliation of unauthorised expenditure

	Note	2017/18	2016/17
		R'000	R'000
Opening balance		261 169	261 169
Prior period error		-	-
As restated		261 169	261 169
Unauthorised expenditure – discovered in current year (as restated)		-	-
<b>Closing balance</b>		<b>261 169</b>	<b>261 169</b>
<b>Analysis of closing balance</b>			
Unauthorised expenditure awaiting authorisation		261 169	261 169
<b>Total</b>		<b>261 169</b>	<b>261 169</b>



## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification

	2017/18	2016/17
	R'000	R'000
Current	80 755	80 755
Capital	178 087	178 087
Transfers and subsidies	2 327	2 327
<b>Total</b>	<b>261 169</b>	<b>261 169</b>

#### 9.3 Analysis of unauthorised expenditure awaiting authorisation per type

Unauthorised expenditure relating to overspending of the vote or a main division within a vote	83 082	83 082
Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division	178 087	178 087
<b>Total</b>	<b>261 169</b>	<b>261 169</b>

#### 9.4 Unauthorised expenditure split into current and non-current asset

Details	2017/18			2016/17		
	Current	Non-current	Total	Current	Non-current	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Unauthorised expenditure under capital expenditure incurred towards building of schools which is a provincial competency.	174 102	-	174 102	174 102	-	174 102
Unauthorised expenditure on capital assets procured for the schools.	3 985	-	3 985	3 985	-	3 985
Overspending on compensation of employees	67 135	-	67 135	67 135	-	67 135
Overspending on goods and services	13 620	-	13 620	13 620	-	13 620
Overspending on transfers and subsidies	2 327	-	2 327	2 327	-	2 327
<b>Total</b>	<b>261 169</b>	<b>-</b>	<b>261 169</b>	<b>261 169</b>	<b>-</b>	<b>261 169</b>

### 10. Cash and cash equivalents

	Note	2017/18	2016/17
		R'000	R'000
Cash on hand		125	126
<b>Total</b>		<b>125</b>	<b>126</b>

### 11. Prepayments and advances

Travel and subsistence		61	22
Advances paid (Not expensed)	11.1	14 781	7 272
Prepayments (Not expensed)	11.2	5	4 324
<b>Total</b>		<b>14 847</b>	<b>11 618</b>

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 11.1 Advances paid (Not expensed)

Note	Balance as at 1 April 2017	Less: Amount expensed in current year	Add: Current Year prepayments	Balance as at 31 March 2018
	R'000	R'000	R'000	R'000
National departments	1 126	986	700	840
Public entities	5 606	4 374	8 852	10 084
Other institutions	540	540	3 857	3 857
<b>Total</b>	<b>7 272</b>	<b>5 900</b>	<b>13 409</b>	<b>14 781</b>

#### 11.2 Prepayments (Not expensed)

Note	Balance as at 1 April 2017	Less: Amount expensed in current year	Add: Current Year prepayments	Balance as at 31 March 2018
	R'000	R'000	R'000	R'000
Goods and services	4 324	4 319	-	5
<b>Total</b>	<b>4 324</b>	<b>4 319</b>	<b>-</b>	<b>5</b>

### 12. Receivables

Note	2017/18			2016/17		
	Current	Non-current	Total	Current	Non-current	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable 12.1	17 335	82 442	99 777	574 528	55 413	629 941
Recoverable expenditure 12.2	486	423	909	145	286	431
Staff debt 12.3	97	117	214	137	163	300
Other debtors 12.4	21	1 109	1 130	52	2 255	2 307
<b>Total</b>	<b>17 939</b>	<b>84 091</b>	<b>102 030</b>	<b>574 862</b>	<b>58 117</b>	<b>632 979</b>

#### 12.1 Claims recoverable

	Note	2017/18	2016/17
	12 and Annex 3	R'000	R'000
National departments		55 638	51 894
Provincial departments		-	125
Public entities		44 139	577 922
<b>Total</b>		<b>99 777</b>	<b>629 941</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 12.2 Recoverable expenditure (disallowance accounts)

	Note	2017/18	2016/17
	12	R'000	R'000
Disallowance Account		821	387
Private Telephone		9	7
Salaries		79	37
<b>Total</b>		<b>909</b>	<b>431</b>

### 12.3 Staff debt

	12		
Personnel Debt		214	300
<b>Total</b>		<b>214</b>	<b>300</b>

### 12.4 Other debtors

	12		
Breach of contracts (Bursaries)		1 130	2 307
<b>Total</b>		<b>1 130</b>	<b>2 307</b>

### 12.5 Impairment of receivables

Estimate of impairment of receivables		59 183	57 817
<b>Total</b>		<b>59 183</b>	<b>57 817</b>

## 13. Voted funds to be surrendered to the Revenue Fund

Opening balance		109 436	31 078
Prior period error		-	-
As restated		109 436	31 078
Transfer from statement of financial performance (as restated)		57 843	109 434
Add: Unauthorised expenditure for current year	9	-	-
Voted funds not requested/not received	1.1	-	-
Paid during the year		(109 436)	(31 076)
<b>Closing balance</b>		<b>57 843</b>	<b>109 436</b>

## 14. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

Opening balance		10 882	5 338
Prior period error		-	-
As restated		10 882	5 338
Transfer from Statement of Financial Performance (as restated)		10 358	14 608
Paid during the year		(12 471)	(9 064)
<b>Closing balance</b>		<b>8 769</b>	<b>10 882</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**15. Bank Overdraft**

	Note	2017/18 R'000	2016/17 R'000
Consolidated Paymaster General Account		277 932	753 659
<b>Total</b>		<b>277 932</b>	<b>753 659</b>

**16. Payables – current**

Advances received	16.1	24 197	22 208
Clearing accounts	16.2	119	181
Other payables	16.3	4 799	4 358
<b>Total</b>		<b>29 115</b>	<b>26 747</b>

**16.1 Advances received**

	16		
Provincial departments		20	20
Public entities		24 177	22 188
<b>Total</b>		<b>24 197</b>	<b>22 208</b>

**16.2 Clearing accounts**

	16		
Salary income tax (Payable to SARS)		85	154
Salary clearing accounts		34	27
<b>Total</b>		<b>119</b>	<b>181</b>

**16.3 Other payables**

	16		
Fund received on behalf of the PMTE		843	649
Funds received on behalf of EPWP (Learnership programme)		2 770	2 770
GMT recoveries accident cost		-	939
Funds to surrender to NT		1 186	-
<b>Total</b>		<b>4 799</b>	<b>4 358</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 17. Net cash flow available from operating activities

	Note	2017/18 R'000	2016/17 R'000
Net surplus/(deficit) as per Statement of Financial Performance		68 201	124 042
Add back non cash/cash movements not deemed operating activities		425 037	(203 675)
(Increase)/decrease in receivables – current		530 949	(132 025)
(Increase)/decrease in prepayments and advances		(3 229)	(201)
Increase/(decrease) in payables – current		2 368	(57 018)
Proceeds from sale of capital assets		-	(70)
Expenditure on capital assets		16 856	25 779
Surrenders to Revenue Fund		(121 907)	(40 140)
<b>Net cash flow generated by operating activities</b>		<b>493 238</b>	<b>(79 633)</b>

## 18. Reconciliation of cash and cash equivalents for cash flow purposes

Consolidated Paymaster General account	(277 932)	(753 659)
Cash on hand	125	126
<b>Total</b>	<b>(277 807)</b>	<b>(753 533)</b>

## 19. Contingent liabilities and contingent assets

## Contingent liabilities

Liable to	Nature			
Housing loan guarantees	Employees	Annex 2A	13	13
Claims against the department		Annex 2B	-	874
Intergovernmental payables (unconfirmed balances)		Annex 4	16 792	2 033
<b>Total</b>			<b>16 805</b>	<b>2 920</b>

## 20. Commitments

## Current expenditure

Approved and contracted	122 332	177 330
Approved but not yet contracted	4 868	-
	<b>127 200</b>	<b>177 330</b>

## Capital expenditure

Approved and contracted	1 165	1 374
	<b>1 165</b>	<b>1 374</b>
<b>Total Commitments</b>	<b>128 365</b>	<b>178 704</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 21. Accruals and payables not recognised

## 21.1 Accruals

	2017/18			2016/17
	R'000			R'000
<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Goods and services	27 255	-	27 255	28 111
Other	-	-	-	30
<b>Total</b>	<b>27 255</b>	<b>-</b>	<b>27 255</b>	<b>28 141</b>
<b>Listed by programme level</b>				
Administration			2 083	1 860
Intergovernmental Coordination			179	150
Expanded Public Works Programme			24 882	26 009
Property and Construction Industry Policy and Research			19	-
Prestige Policy			92	122
<b>Total</b>			<b>27 255</b>	<b>28 141</b>

## 21.2 Payables not recognised

<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Goods and services	21 095	365	21 460	21 362
Interest and rent on land	202	-	202	-
Capital assets	218	-	218	195
Other	1 346	-	1 346	181
<b>Total</b>	<b>22 861</b>	<b>365</b>	<b>23 226</b>	<b>21 738</b>
<b>Listed by programme level</b>				
Administration			14 304	10 061
Intergovernmental Coordination			1 677	2 815
Expanded Public Works Programme			6 296	7 840
Property and Construction Industry Policy and Research			(7)	301
Prestige Policy			956	721
<b>Total</b>			<b>23 226</b>	<b>21 738</b>
<b>Included in the above totals are the following:</b>				
Confirmed balances with other departments		<i>Annex 4</i>	3 518	1 537
Confirmed balances with other government entities		<i>Annex 4</i>	4 461	17 612
<b>Total</b>			<b>7 979</b>	<b>19 149</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 22. Employee benefits

	2017/18	2016/17
	R'000	R'000
Leave entitlement	21 064	20 776
Service bonus (Thirteenth cheque)	10 654	9 236
Performance awards	7 296	7 077
Capped leave commitments	8 041	8 004
Other	874	1 201
<b>Total</b>	<b>47 929</b>	<b>46 294</b>

At this stage the department is not able to reliably measure the long term portion of the long service awards. Excluded from the leave entitlement is R287K which represent the credit amounts.

## 23. Lease commitments

## 23.1 Operating leases

2017/18	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	-	-
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	1 459	-	1 459
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>1 459</b>	<b>-</b>	<b>1 459</b>

## 23.2 Finance leases \*\*

2017/18	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	5 727	5 727
Later than 1 year and not later than 5 years	-	-	-	2 679	2 679
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 406</b>	<b>8 406</b>

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	3 074	3 074
Later than 1 year and not later than 5 years	-	-	-	2 420	2 420
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 494</b>	<b>5 494</b>

\*\*This note excludes leases relating to public private partnership as they are separately disclosed in note no. 29.

The Department has entered into finance lease arrangements for cell phones for a period of two years, as well as participating in a lease contract for photocopy machines arranged by National Treasury for three years. All the contracts have no escalation clauses and are procured via tender processes on expiry.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 24. Accrued departmental revenue

	Note	2017/18 R'000	2016/17 R'000
Interest, dividends and rent on land		1 836	1 416
<b>Total</b>		<b>1 836</b>	<b>1 416</b>

## 24.1 Analysis of accrued departmental revenue

	24		
Opening balance		1 416	1 711
Less: amounts received		(7 616)	(10 971)
Add: amounts recorded		8 036	10 676
<b>Closing balance</b>		<b>1 836</b>	<b>1 416</b>

## 25. Irregular expenditure

## 25.1 Reconciliation of irregular expenditure

Opening balance	151 417	358 680
Prior period error	-	(8 436)
As restated	151 417	350 244
Add: Irregular expenditure – relating to prior year	-	-
Add: Irregular expenditure – relating to current year	-	169
Less: Prior year amounts condoned	-	(18 146)
Less: Current year amounts condoned	-	-
Less: Amounts not condoned and recoverable	-	-
Less: Amounts not condoned and not recoverable	(25 533)	(180 850)
<b>Closing balance</b>	<b>125 884</b>	<b>151 417</b>

## Analysis of awaiting condonation per age classification

Current year	-	169
Prior years	125 884	151 248
<b>Total</b>	<b>125 884</b>	<b>151 417</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 25.1 Reconciliation of irregular expenditure

Investigations into the instances of confirmed irregular expenditure are an ongoing process. Where investigations have been concluded, the decision of the investigations are implemented by management in line with the National Treasury Guideline on Irregular Expenditure and the approved policy on Management of Financial Misconduct.

Prior period error (2016/17) - R8,4 million: this relates to transactions that were previously regarded as irregular expenditure and found not to meet the definition of irregular expenditure during the investigation.

Amounts not recoverable (not condoned) - R25,5 million: this relates to transactions dealt with in terms of the National Treasury Guideline on Irregular Expenditure. Preliminary investigations found that no instances of fraudulent activities had taken place, no loss/damage to the state was incurred, and there was evidence that the goods and/or services were actually delivered to the Department.

During the current audit cycle, an amount of R11,5 million relating to audit fees to State Attorney was discovered by the AGSA as potential irregular expenditure. These are the transactions where the State Attorney was found not have followed SCM process in the acquisition of legal representatives on behalf of the Department. The matter has been escalated to National Treasury by the Presidency since it affected most government departments where the finding was raised. At the conclusion of the audit, the matter had not been finalised. Appropriate disclosures will be made by the Department once the matter has been finalised.

## 25.1.1 Details of irregular expenditure not recoverable (not condoned)

Incident	Not condoned by (condoning authority)	2017/18
		R'000
Prior period error	Accounting Officer	25 533
<b>Total</b>		<b>25 533</b>

The irregular expenditure not recoverable (not condoned) relate to transactions dealt with in terms of the Policy on Management of Financial Misconduct and transactions considered not recoverable from any official in terms of the National Treasury Guideline on Irregular Expenditure.

## 25.1.2 Details of irregular expenditures under investigation (not included in the main note)

Incident	2017/18
	R'000
Transfer payment increase to Commonwealth not approved by NT	90
Appropriate approval not obtained by the properly delegated authority	13 297
Incorrect procurement process followed	94 760
Limitation of scope	1 569
Local content and production not applied	7 951
Bid awarded to bidders whose tax matters found not to be in order	8 216
<b>Total</b>	<b>125 884</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 25.1 Reconciliation of irregular expenditure

#### 25.1.3 Prior period error

	Note	2016/17
		R'000
<b>Nature of prior period error</b>		
Relating to 2016/17 (affecting the opening balance)		(8 436)
Irregular expenditure condoned in prior financial years		(997)
Transactions previously reported as irregular expenditure and found not to meet the definition of irregular expenditure upon investigations		(7 439)
Total prior period errors		<b>(8 436)</b>

Irregular expenditure condoned in prior financial years and transactions previously reported as irregular expenditure and found not to meet the definition of irregular expenditure upon investigations.

### 26. Fruitless and wasteful expenditure

#### 26.1 Reconciliation of fruitless and wasteful expenditure

	Note	2017/18	2016/17
		R'000	R'000
Opening balance		2 715	2 705
Prior period error		-	-
As restated		2 715	2 705
Fruitless and wasteful expenditure – relating to prior year		-	-
Fruitless and wasteful expenditure – relating to current year		-	10
Less: Amounts resolved		(1 546)	-
Less: Amounts transferred to receivables for recovery		-	-
<b>Closing balance</b>		<b>1 169</b>	<b>2 715</b>

#### 26.2 Analysis of awaiting resolution per economic classification

Current	1 169	2 715
<b>Total</b>	<b>1 169</b>	<b>2 715</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**27. Related party transactions****Related parties to the Department**

The following entities/departments have been identified as related parties of the Department:

- a) Independent Development Trust (IDT) - Government development agency to implement projects commissioned by government.
- b) Parliamentary Village Management Board - To provide transport from and to the parliamentary villages for residents (Parliamentarians and sessional officials) who are in Cape Town.
- c) Agrément South Africa (ASA) - Promote and support the process of integrated socio-economic development in SA.
- d) Council for the Built Environment (CBE) - Oversee built environment professional councils.
- e) Construction Industry Development Board (CIDB) - Provide strategic direction for sustainable growth, reform and improvements of the construction sector and its role in the economy.
- f) Property Management Trading Entity (PMTE) - To manage devolved accommodation-related costs and user charge.

**Related parties transactions****1. Independent Development trust**

The management fee (identified as a non-arm's length transaction) and the contract cost is disclosed above. The management fee structure varies per project depending on the duration, complexity and labour required and is embedded in the contract cost of the projects undertaken by the IDT for the Department.

**2. Property Management Trading Entity (PMTE)**

The Property Management Trading Entity (PMTE) operates within the administration of the Department of Public Works (DPW) and as such all contracts are entered into in the name of the DPW. The liabilities and obligations arising from these transactions are accounted for by the PMTE if it relates to the PMTE operating activities as these liabilities will be settled using the PMTE funds and resources.

**2.1 Details of In kind goods and services provided/received****Indirect cost**

Indirect costs include the sharing of administrative services between the Department and the PMTE. The nature of the transactions resulted in difficulties in reliably determining the value of the indirect costs paid on behalf of the PMTE due to the operational structure and functions between the Department and the PMTE.

**28. Key management personnel**

	No. of Individuals	2017/18 R'000	2016/17 R'000
Political office bearers (provide detail below)	2	4 245	4 227
Officials:			
Level 15 to 16	10	22 196	10 867
Level 14 (incl. CFO if at a lower level)	28	35 676	28 519
Secondments	7	5 851	10 575
<b>Total</b>		<b>67 968</b>	<b>54 188</b>

The political office bearers are the Minister and Deputy Minister.

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 29. Public Private Partnership

	Note	2017/18	2016/17
		R'000	R'000
<b>Unitary fee paid</b>		<b>7 577</b>	<b>6 330</b>
Indexed component		7 577	6 330
<b>Analysis of indexed component</b>		<b>7 577</b>	<b>6 330</b>
Goods and services (excluding lease payments)		2 222	1 753
Operating leases		5 355	4 577
<b>Other</b>		<b>1 363</b>	<b>1 566</b>
Other obligations		1 363	1 566

Any guarantees issued by the department are disclosed in Note 19.1

The Department participates in the fleet contract through the Department of Transport by Phakisa. Included in other obligations amount of R1.3 m are Operating Lease Commitments amounting to R270k and Accruals amounting to R1m.

#### 30. Movable Tangible Capital Assets

##### Movement in movable tangible capital assets per asset register for the year ended 31 March 2018

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>Heritage assets</b>	<b>113 053</b>	-	-	<b>5</b>	<b>113 048</b>
Heritage assets	113 053	-	-	5	113 048
<b>Machinery and equipment</b>	<b>284 586</b>	-	<b>17 849</b>	<b>9 231</b>	<b>293 204</b>
Transport assets	3 404	-	2 492	918	4 978
Computer equipment	51 426	-	7 529	2 438	56 517
Furniture and office equipment	204 838	-	4 932	4 132	205 638
Other machinery and equipment	24 918	-	2 896	1 743	26 071
<b>Total movable tangible capital assets</b>	<b>397 639</b>	-	<b>17 849</b>	<b>9 236</b>	<b>406 252</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 30.1 Additions

## Additions to movable tangible capital assets per asset register for the year ended 31 March 2018

	Cash*	Non-cash**	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>	<b>16 794</b>	<b>4 966</b>	<b>(4 129)</b>	<b>218</b>	<b>17 849</b>
Transport assets	2 492	-	-	-	2 492
Computer equipment	5 061	2 468	-	-	7 529
Furniture and office equipment	3 284	1 436	-	212	4 932
Other machinery and equipment	5 957	1 062	(4 129)	6	2 896
<b>Total additions to movable tangible capital assets</b>	<b>16 794</b>	<b>4 966</b>	<b>(4 129)</b>	<b>218</b>	<b>17 849</b>

## 30.2 Disposals

## Disposals of movable tangible capital assets per asset register for the year ended 31 March 2018

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>Heritage assets</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>
Heritage assets	-	5	5	-
<b>Machinery and equipment</b>	<b>-</b>	<b>9 231</b>	<b>9 231</b>	<b>-</b>
Transport assets	-	918	918	-
Computer equipment	-	2 438	2 438	-
Furniture and office equipment	-	4 132	4 132	-
Other machinery and equipment	-	1 743	1 743	-
<b>Total disposal of movable tangible capital assets</b>	<b>-</b>	<b>9 236</b>	<b>9 236</b>	<b>-</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**30.3 Movement for 2016/17****Movement in tangible capital assets per asset register for the year ended 31 March 2017**

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>Heritage assets</b>	<b>112 826</b>	<b>-</b>	<b>397</b>	<b>170</b>	<b>113 053</b>
Heritage assets	112 826	-	397	170	113 053
<b>Machinery and equipment</b>	<b>285 705</b>	<b>-</b>	<b>20 221</b>	<b>21 340</b>	<b>284 586</b>
Transport assets	4 047	-	-	643	3 404
Computer equipment	58 133	-	3 877	10 584	51 426
Furniture and office equipment	202 657	-	9 782	7 601	204 838
Other machinery and equipment	20 868	-	6 562	2 512	24 918
<b>Total movable tangible capital assets</b>	<b>398 531</b>	<b>-</b>	<b>20 618</b>	<b>21 510</b>	<b>397 639</b>

**30.3.1 Prior period error**

Note

**2016/17****R'000****Nature of prior period error**Relating to 2016/17 *[affecting the opening balance]*

Furniture and office equipment

156

Other machinery and equipment

(156)

**Total prior period errors****-**

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 30.4 Minor assets

## Movement in minor assets per the asset register for the year ended as at 31 March 2018

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	3 833	110 159	-	113 992
Additions	-	-	-	3 273	-	3 273
Disposals	-	-	-	5 036	-	5 036
<b>Total minor assets</b>	<b>-</b>	<b>-</b>	<b>3 833</b>	<b>108 396</b>	<b>-</b>	<b>112 229</b>

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	3 075	-	3 075
Number of minor assets at cost	-	-	1 963	59 592	-	61 555
<b>Total number of minor assets</b>	<b>-</b>	<b>-</b>	<b>1 963</b>	<b>62 667</b>	<b>-</b>	<b>64 630</b>

## Movement in minor assets per the asset register for the year ended as at 31 March 2017

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	3 833	110 560	-	114 393
Prior period error	-	-	-	(3)	-	(3)
Additions	-	-	-	3 778	-	3 778
Disposals	-	-	-	4 176	-	4 176
<b>Total minor assets</b>	<b>-</b>	<b>-</b>	<b>3 833</b>	<b>110 159</b>	<b>-</b>	<b>113 992</b>

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	3 108	-	3 108
Number of minor assets at cost	-	-	1 963	60 892	-	62 855
<b>Total number of minor assets</b>	<b>-</b>	<b>-</b>	<b>1 963</b>	<b>64 000</b>	<b>-</b>	<b>65 963</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 30.4 Minor assets

## 30.4.1 Prior period error

	Note	2016/17 R'000
<b>Nature of prior period error</b>		
Relating to 2015/16 <i>[affecting the opening balance]</i>		(3)
		(3)
Relating to 2016/17		(3)
<b>Total prior period errors</b>		<b>(3)</b>

## 31. Intangible Capital Assets

## Movement in intangible capital assets per asset register for the year ended 31 March 2018

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	66 046	-	62	-	66 108
<b>Total intangible capital assets</b>	<b>66 046</b>	<b>-</b>	<b>62</b>	<b>-</b>	<b>66 108</b>

## 31.1 Additions

## Additions to intangible capital assets per asset register for the year ended 31 March 2018

	Cash	Non-Cash	(Develop- ment work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Software	62	-	-	-	62
<b>Total additions to intangible capital assets</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62</b>



## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

#### 31.2 Movement for 2016/17

Movement in intangible capital assets per asset register for the year ended 31 March 2017

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Software	59 989	-	6 057	-	66 046
<b>Total intangible capital assets</b>	<b>59 989</b>	<b>-</b>	<b>6 057</b>	<b>-</b>	<b>66 046</b>

#### 32. Principal-agent arrangements

##### 32.1 Department acting as the principal

Category of revenue or expenditure per arrangement	Fee paid	
	2017/18	2016/17
	R'000	R'000
International Labour Organisation	2 326	2 528
Independent Development Trust	2 194	2 641
Independent Development Trust(non-state sector)	28 678	11 884
	<b>33 199</b>	<b>17 053</b>

International Labour Organisation (ILO) -The ILO assists the Department with capacity and best practice methodology for the implementation of EPWP projects. The ILO receives 13% of direct project cost.  
Independent Development Trust (IDT) Construction of strategic priority projects of the department. The IDT receives 10% of the project cost for project management services provided.

##### 32.2 Department acting as the agent

###### 32.2.1 Reconciliation of carrying amount of receivables and payables – 2017/18

###### Receivables

Name of principal entity	Opening balance	Revenue principal is entitled to	Less: Write-offs/ settlements/ waivers	Cash received on behalf of principal	Closing Balance
	R'000	R'000	R'000	R'000	R'000
National Department of Basic Education	54 541	-	-	-	54 541
<b>Total</b>	<b>54 541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54 541</b>

## NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 32.2 Department acting as the agent

##### Payables

Name of principal entity	Opening balance	Expenses incurred on behalf of the principal	Cash paid on behalf of the principal	Closing Balance
	R'000	R'000	R'000	R'000
National Department of Higher Education and Training	49 936	(25 759)	-	24 177
Eastern Cape Department of Roads and Public Works	20	-	-	20
<b>Total</b>	<b>49 956</b>	<b>(25 759)</b>	<b>-</b>	<b>24 197</b>

#### 33. Prior period errors

##### 33.1 Correction of prior period errors

Note	Amount bef error correction	Prior period error	Restated Amount
	2016/17	2016/17	2016/17
	R'000	R'000	R'000
<b>Expenditure:</b>			
Goods and services	366 092	19	366 111
<b>Net effect</b>	<b>366 092</b>	<b>19</b>	<b>366 111</b>
<b>Assets:</b>			
Receivables	574 881	(19)	574 862
<b>Net effect</b>	<b>574 881</b>	<b>(19)</b>	<b>574 862</b>
<b>Liabilities:</b>			
Voted funds to surrender to the Revenue Fund	109 455	(19)	109 436
<b>Net effect</b>	<b>109 455</b>	<b>(19)</b>	<b>109 436</b>

An amount of R19 200 was erroneously manually adjusted in the AFS TB (2016/17) moving it from CONS HOUS SUP:LIN&SOFT FURNISH to REC:DOM:CLMS:N/DEPT:CLAIM RECOV instead CONS HOUS SUP:LIN&SOFT FURNISH to F&O/EQP<R5000:DOMESTIC FURN

The actual journal implemented was correctly processed on the system moving transaction between the two economic classification items, and not receivable as it was the case with the manual journal.

The processing of the journal therefore resulted in the difference of R19 200 for the Exchequer compared to the amount disclosed in the annual report.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 33.1 Correction of prior period errors

	Note	Amount bef error correction	Prior period error	Restated Amount
		2016/17	2016/17	2016/17
		R'000	R'000	R'000
<b>Other:</b>				
Irregular expenditure		358 680	(8 436)	350 244
Minor assets		110 162	(3)	110 159
<b>Net effect</b>		<b>468 842</b>	<b>(8 439)</b>	<b>460 403</b>

**Irregular Expenditure**

*Irregular expenditure condoned in prior financial years and Transactions previously reported as irregular expenditure and found not to meet the definition of irregular expenditure upon investigations.*

**Minor Assets:**

*Correction of transactions classified as minor assets instead of Consumable items.*

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**34. Statement of Conditional Grants paid to the Provinces**

NAME OF PROVINCE / GRANT	Grant Allocation				Transfer			Spent				2016/17
	Division of Revenue Act	Roll Overs	Adjust-ments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by Department	Amount spent by Department	Unspent funds	% of available funds spent by Department	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Summary by province												
Eastern Cape	126 838	-	-	126 838	126 838	-	-	126 838	125 510	1 328	99%	98 830
Free State	51 733	-	-	51 733	51 733	-	-	51 733	51 081	652	99%	47 620
Gauteng	77 975	-	-	77 975	77 975	-	-	77 975	77 008	967	99%	82 789
Kwazulu-Natal	163 227	-	-	163 227	163 227	-	-	163 227	161 342	1 885	99%	165 619
Limpopo	62 174	-	-	62 174	62 174	-	-	62 174	61 917	257	100%	55 547
Mpumalanga	109 616	-	-	109 616	109 616	-	-	109 616	107 649	1 967	98%	102 409
Northern Cape	76 737	-	-	76 737	76 737	-	-	76 737	73 591	3 146	96%	44 645
North West	46 391	-	-	46 391	46 391	-	-	46 391	42 337	4 054	91%	93 074
Western Cape	66 471	-	-	66 471	66 471	-	-	66 471	66 464	7	100%	71 138
Total	781 162	-	-	781 162	781 162	-	-	781 162	766 899	14 263		761 671
Summary by grant												
EPWP Integrated Grants for Provinces	395 579	-	-	395 579	395 579	-	-	395 579	384 620	10 959	97%	402 009
Social EPWP Incentive Grant for Provinces	385 583	-	-	385 583	385 583	-	-	385 583	382 279	3 304	99%	359 662
Total	781 162	-	-	781 162	781 162	-	-	781 162	766 899	14 263		761 671

NAME OF PROVINCE / GRANT	Grant Allocation				Transfer			Spent				2016/17
	Division of Revenue Act	Roll Overs	Adjust-ments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by Department	Amount spent by Department	Unspent funds	% of available funds spent by Department	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	
<b>EPWP Integrated Grants for Provinces</b>												
Eastern Cape	112 335	-	-	112 335	112 335	-	-	112 335	111 142	1 193	99%	77 370
Free State	28 566	-	-	28 566	28 566	-	-	28 566	27 801	765	97%	25 641
Gauteng	53 178	-	-	53 178	53 178	-	-	53 178	52 500	678	99%	32 820
Kwazulu-Natal	78 211	-	-	78 211	78 211	-	-	78 211	77 240	971	99%	104 066
Limpopo	20 195	-	-	20 195	20 195	-	-	20 195	19 960	235	99%	18 745
Mpumalanga	34 436	-	-	34 436	34 436	-	-	34 436	33 528	908	97%	42 855
Northern Cape	20 143	-	-	20 143	20 143	-	-	20 143	17 129	3 014	85%	17 876
North West	14 383	-	-	14 383	14 383	-	-	14 383	11 188	3 195	78%	51 021
Western Cape	34 132	-	-	34 132	34 132	-	-	34 132	34 132	-	100%	31 615
<b>Total</b>	<b>395 579</b>	<b>-</b>	<b>-</b>	<b>395 579</b>	<b>395 579</b>	<b>-</b>	<b>-</b>	<b>395 579</b>	<b>384 620</b>	<b>10 959</b>		<b>402 009</b>
<b>Social EPWP Incentive Grant for Provinces</b>												
Eastern Cape	14 503	-	-	14 503	14 503	-	-	14 503	14 368	135	99%	21 460
Free State	23 167	-	-	23 167	23 167	-	-	23 167	23 280	(113)	100%	21 979
Gauteng	24 797	-	-	24 797	24 797	-	-	24 797	24 508	289	99%	49 969
Kwazulu-Natal	85 016	-	-	85 016	85 016	-	-	85 016	84 102	914	99%	61 553
Limpopo	41 979	-	-	41 979	41 979	-	-	41 979	41 957	22	100%	36 802
Mpumalanga	75 180	-	-	75 180	75 180	-	-	75 180	74 121	1 059	99%	59 554
Northern Cape	56 594	-	-	56 594	56 594	-	-	56 594	56 462	132	100%	26 769
North West	32 008	-	-	32 008	32 008	-	-	32 008	31 149	859	97%	42 053
Western Cape	32 339	-	-	32 339	32 339	-	-	32 339	32 332	7	100%	39 523
	<b>385 583</b>	<b>-</b>	<b>-</b>	<b>385 583</b>	<b>385 583</b>	<b>-</b>	<b>-</b>	<b>385 583</b>	<b>382 279</b>	<b>3 304</b>		<b>359 662</b>

National Departments are reminded of the DORA requirements to indicate any re-allocations by the National Treasury or the transferring department, certify that all transfers in terms of this Act were deposited into the primary bank account of a province or, where appropriate, into the CPD account of a province as well as indicate the funds utilised for the administration of the receiving officer.

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 35. Statement of Conditional Grants and other Transfers Paid to Municipalities

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Buffalo City	4 952	-	-	4 952	4 952	-	-
Nelson Mandela Bay	4 807	-	-	4 807	4 807	-	-
Dr Beyers Naude	1 383	-	-	1 383	1 383	-	-
Blue Crane Route	1 000	-	-	1 000	1 000	-	-
Makana	1 000	-	-	1 000	1 000	-	-
Ndlambe	1 000	-	-	1 000	1 000	-	-
Sundays River Valley	1 000	-	-	1 000	1 000	-	-
Kouga	1 000	-	-	1 000	1 000	-	-
Kou-Kamma	1 000	-	-	1 000	1 000	-	-
Sarah Baartman District Municipality	1 000	-	-	1 000	1 000	-	-
Mbashe	4 236	-	-	4 236	4 236	-	-
Mnquma	2 316	-	-	2 316	2 316	-	-
Great Kei	1 263	-	-	1 263	1 263	-	-
Amahlathi	1 389	-	-	1 389	1 389	-	-
Ngqushwa	1 531	-	-	1 531	1 531	-	-
Nkonkobe/Nxuba	1 662	-	-	1 662	1 662	-	-
Amathole District Municipality	1 527	-	-	1 527	1 527	-	-
Inxuba Yethemba	1 079	-	-	1 079	1 079	-	-
Intsika Yethu	2 520	-	-	2 520	2 520	-	-
Emalahleni	1 308	-	-	1 308	1 308	-	-
Engcobo	1 391	-	-	1 391	1 391	-	-
Sakhisizwe	1 108	-	-	1 108	1 108	-	-
Enoch Mgijima (Tsolwana/Inkwana)	4 889	-	-	4 889	4 889	-	-
Chris Hani District Municipality	10 037	-	-	10 037	10 037	-	-
Elundini	2 649	-	-	2 649	2 649	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Senqu	1 536	-	-	1 536	1 536	-	-
Walter Sisulu (Maletswai/Gariep)	1 619	-	-	1 619	1 619	-	-
Joe Gqabi District Municipality	2 227	-	-	2 227	2 227	-	-
Ngquza Hill	1 880	-	-	1 880	1 880	-	-
Port St Johns	1 501	-	-	1 501	1 501	-	-
Nyandeni	1 291	-	-	1 291	1 291	-	-
Mhlontlo	1 417	-	-	1 417	1 417	-	-
King Sabata Dalindyebo	3 584	-	-	3 584	3 584	-	-
O.R. Tambo District Municipality	4 811	-	-	4 811	4 811	-	-
Umkhumbi	2 537	-	-	2 537	2 537	-	-
Matatiele	2 780	-	-	2 780	2 780	-	-
Mbizana	1 704	-	-	1 704	1 704	-	-
Ntabankulu	2 311	-	-	2 311	2 311	-	-
Alfred Nzo District Municipality	10 280	-	-	10 280	10 280	-	-
Mangaung	7 629	-	-	7 629	7 629	-	-
Letsemeng	1 000	-	-	1 000	1 000	-	-
Kopanong	1 000	-	-	1 000	1 000	-	-
Mohokare	1 000	-	-	1 000	1 000	-	-
Xhariep District Municipality	1 000	-	-	1 000	1 000	-	-
Masilonyana	1 000	-	-	1 000	1 000	-	-
Tokologo	1 000	-	-	1 000	1 000	-	-
Tswelopele	1 000	-	-	1 000	1 000	-	-
Matjhabeng	1 000	-	-	1 000	1 000	-	-
Nala	1 000	-	-	1 000	1 000	-	-
Lejweleputswa District Municipality	1 000	-	-	1 000	1 000	-	-
Setso	1 889	-	-	1 889	1 889	-	-
Dihlabeng	1 000	-	-	1 000	1 000	-	-
Nketoana	1 000	-	-	1 000	1 000	-	-
Maluti-a-Phofung	5 219	-	-	5 219	5 219	-	-
Phumelela	1 000	-	-	1 000	1 000	-	-
Mantsopa	1 000	-	-	1 000	1 000	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Thabo Mofutsanyana District Municipality	2 142	-	-	2 142	2 142	-	-
Moqhaka	1 000	-	-	1 000	1 000	-	-
Ngwathe	1 000	-	-	1 000	1 000	-	-
Metsimaholo	1 000	-	-	1 000	1 000	-	-
Mafube	1 000	-	-	1 000	1 000	-	-
Ekurhuleni	44 718	-	-	44 718	44 718	-	-
City of Johannesburg	17 421	-	-	17 421	17 421	-	-
City of Tshwane	20 451	-	-	20 451	20 451	-	-
Emfuleni	2 847	-	-	2 847	2 847	-	-
Midvaal	1 119	-	-	1 119	1 119	-	-
Lesedi	1 324	-	-	1 324	1 324	-	-
Sedibeng District Municipality	2 490	-	-	2 490	2 490	-	-
Mogale City	4 917	-	-	4 917	4 917	-	-
Merapong City	1 470	-	-	1 470	1 470	-	-
Rand West City (Randfont & Wstrnd)	2 673	-	-	2 673	2 673	-	-
West Rand District Municipality	1 000	-	-	1 000	1 000	-	-
eThekweni	66 792	-	-	66 792	66 792	-	-
uMdoni	1 000	-	-	1 000	1 000	-	-
uMzombe	1 291	-	-	1 291	1 291	-	-
uMuziwabantu	1 006	-	-	1 006	1 006	-	-
Ray Nkonyeni (Hibiscus Coast)	3 306	-	-	3 306	3 306	-	-
Ugu District Municipality	1 956	-	-	1 956	1 956	-	-
uMshwathi	2 065	-	-	2 065	2 065	-	-
uMngeni	1 000	-	-	1 000	1 000	-	-
Mpofana	1 000	-	-	1 000	1 000	-	-
iMpendle	1 460	-	-	1 460	1 460	-	-
Msunduzi	8 022	-	-	8 022	8 022	-	-
Mkhambathini	1 089	-	-	1 089	1 089	-	-
Richmond	1 443	-	-	1 443	1 443	-	-
uMgungundlovu District Municipality	1 428	-	-	1 428	1 428	-	-
Okhahlamba	3 911	-	-	3 911	3 911	-	-



NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
iNkosi Langalibalele (Umtshezi)	5 133	-	-	5 133	5 133	-	-
Alfred Duma (Ladysmith)	3 347	-	-	3 347	3 347	-	-
uThukela District Municipality	3 724	-	-	3 724	3 724	-	-
eNdumeni	1 218	-	-	1 218	1 218	-	-
Nquthu	1 003	-	-	1 003	1 003	-	-
uMsinga	4 775	-	-	4 775	4 775	-	-
uMvoti	1 007	-	-	1 007	1 007	-	-
uMzinyathi District Municipality	2 444	-	-	2 444	2 444	-	-
Newcastle	4 166	-	-	4 166	4 166	-	-
eMadlangeni	1 000	-	-	1 000	1 000	-	-
Dannhauser	1 000	-	-	1 000	1 000	-	-
Amajuba District Municipality	1 789	-	-	1 789	1 789	-	-
eDumbe	1 389	-	-	1 389	1 389	-	-
uPhongolo	4 678	-	-	4 678	4 678	-	-
AbaQulusi	1 505	-	-	1 505	1 505	-	-
Nongoma	1 039	-	-	1 039	1 039	-	-
Ulundi	2 995	-	-	2 995	2 995	-	-
Zululand District Municipality	5 760	-	-	5 760	5 760	-	-
uMhlabyalingana	4 165	-	-	4 165	4 165	-	-
Jozini	3 156	-	-	3 156	3 156	-	-
Mtubatuba	1 558	-	-	1 558	1 558	-	-
Big Five Hlabisa	2 051	-	-	2 051	2 051	-	-
uMkhanyakude District Municipality	1 008	-	-	1 008	1 008	-	-
uMfolozi	1 418	-	-	1 418	1 418	-	-
uMhlathuze	4 143	-	-	4 143	4 143	-	-
uMlalazi	2 985	-	-	2 985	2 985	-	-
Mthonjaneni	2 222	-	-	2 222	2 222	-	-
Nkandla	3 210	-	-	3 210	3 210	-	-
King Cetshwayo District Municipality(Uthungulu)	5 032	-	-	5 032	5 032	-	-
Mandeni	2 285	-	-	2 285	2 285	-	-
KwaDukuza	1 565	-	-	1 565	1 565	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Ndwedwe	1 768	-	-	1 768	1 768	-	-
Maphumulo	1 529	-	-	1 529	1 529	-	-
iLembe District Municipality	1 000	-	-	1 000	1 000	-	-
Greater Kokstad	1 000	-	-	1 000	1 000	-	-
uBuhlebezwe	1 000	-	-	1 000	1 000	-	-
uMzimkhulu	1 923	-	-	1 923	1 923	-	-
Dr Nkosazana Dlamini Zuma (KZN Ingwe/Kwa Sani)	1 877	-	-	1 877	1 877	-	-
Harry Gwala District Municipality	1 718	-	-	1 718	1 718	-	-
Ephraim Mogale	1 447	-	-	1 447	1 447	-	-
Makhuduthamaga	1 158	-	-	1 158	1 158	-	-
Elias Motsoaledi	1 444	-	-	1 444	1 444	-	-
Greater Tubatse/Fetakgomo	1 279	-	-	1 279	1 279	-	-
Sekhukhune District Municipality	1 085	-	-	1 085	1 085	-	-
Greater Giyani	4 364	-	-	4 364	4 364	-	-
Greater Letaba	2 384	-	-	2 384	2 384	-	-
Greater Tzaneen	4 918	-	-	4 918	4 918	-	-
Ba-Phalaborwa	1 000	-	-	1 000	1 000	-	-
Maruleng	1 124	-	-	1 124	1 124	-	-
Mopani District Municipality	1 725	-	-	1 725	1 725	-	-
(Musina)	1 013	-	-	1 013	1 013	-	-
(Thulamela)	2 543	-	-	2 543	2 543	-	-
Makhado	2 048	-	-	2 048	2 048	-	-
LIM 345	1 000	-	-	1 000	1 000	-	-
Vhembe District Municipality	1 316	-	-	1 316	1 316	-	-
Blouberg	1 562	-	-	1 562	1 562	-	-
Molemole	1 000	-	-	1 000	1 000	-	-
Polokwane	4 978	-	-	4 978	4 978	-	-
Lepele-Nkumpi	1 160	-	-	1 160	1 160	-	-
Capricorn District Municipality	5 080	-	-	5 080	5 080	-	-
Thabazimbi	1 008	-	-	1 008	1 008	-	-
Lephalale	1 215	-	-	1 215	1 215	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Bela-Bela	1 000	-	-	1 000	1 000	-	-
Mogalakwena	1 093	-	-	1 093	1 093	-	-
Modimolle/Mookgopong	1 160	-	-	1 160	1 160	-	-
Waterberg District Municipality	1 000	-	-	1 000	1 000	-	-
Chief Albert Luthuli	1 477	-	-	1 477	1 477	-	-
Muskaligwa	1 458	-	-	1 458	1 458	-	-
Mkhondo	3 350	-	-	3 350	3 350	-	-
Dr Pixley ka Isaka Seme	1 759	-	-	1 759	1 759	-	-
Lekwa	1 013	-	-	1 013	1 013	-	-
Dipaleseng	1 706	-	-	1 706	1 706	-	-
Govan Mbeki	4 244	-	-	4 244	4 244	-	-
Gert Sibande District Municipality	4 459	-	-	4 459	4 459	-	-
Victor Khanye	2 275	-	-	2 275	2 275	-	-
Emalahleni	1 717	-	-	1 717	1 717	-	-
Steve Tshwete	5 270	-	-	5 270	5 270	-	-
Emakhazeni	1 290	-	-	1 290	1 290	-	-
Thembisile Hani	2 560	-	-	2 560	2 560	-	-
Dr JS Moroka	3 246	-	-	3 246	3 246	-	-
Nkangala District Municipality	4 182	-	-	4 182	4 182	-	-
Thaba Chweu	1 909	-	-	1 909	1 909	-	-
Nkomazi	7 174	-	-	7 174	7 174	-	-
Bushbuckridge	9 355	-	-	9 355	9 355	-	-
City of Mbombela	6 714	-	-	6 714	6 714	-	-
Ehlanzeni District Municipality	4 355	-	-	4 355	4 355	-	-
Joe Morolong	1 000	-	-	1 000	1 000	-	-
Richersveld	1 000	-	-	1 000	1 000	-	-
Nama Khoi	1 000	-	-	1 000	1 000	-	-
Kamiesberg	1 000	-	-	1 000	1 000	-	-
Hantam	1 000	-	-	1 000	1 000	-	-
Karoo Hoogland	1 000	-	-	1 000	1 000	-	-
Khâi-Ma	1 000	-	-	1 000	1 000	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Namakwa District Municipality	1 000	-	-	1 000	1 000	-	-
Ubuntu	1 000	-	-	1 000	1 000	-	-
Umsobomvu	1 000	-	-	1 000	1 000	-	-
Emthanjeni	1 086	-	-	1 086	1 086	-	-
Kareeberg	1 000	-	-	1 000	1 000	-	-
Renosterberg	1 000	-	-	1 000	1 000	-	-
Thembelihle	1 000	-	-	1 000	1 000	-	-
Siyathemba	1 000	-	-	1 000	1 000	-	-
Siyancuma	1 000	-	-	1 000	1 000	-	-
Pixley Ka Seme District Municipality	1 000	-	-	1 000	1 000	-	-
IKai IGarib	1 000	-	-	1 000	1 000	-	-
IKheis	1 000	-	-	1 000	1 000	-	-
Tsantsabane	1 000	-	-	1 000	1 000	-	-
Kgatelopele	1 000	-	-	1 000	1 000	-	-
Dawid Kruiper (Khara Hais/Mier)	1 161	-	-	1 161	1 161	-	-
Z.F. Mqcawu District Municipality	1 000	-	-	1 000	1 000	-	-
Sol Plaatjie	4 762	-	-	4 762	4 762	-	-
Dikgatlong	1 000	-	-	1 000	1 000	-	-
Magareng	1 000	-	-	1 000	1 000	-	-
Phokwane	1 000	-	-	1 000	1 000	-	-
Frances Baard District Municipality	1 168	-	-	1 168	1 168	-	-
Ga-Segonyana	1 000	-	-	1 000	1 000	-	-
Gamagara	1 158	-	-	1 158	1 158	-	-
John Taolo Gaetsewe District Municipality	1 000	-	-	1 000	1 000	-	-
Moretele	1 544	-	-	1 544	1 544	-	-
Madibeng	2 591	-	-	2 591	2 591	-	-
Rustenburg	4 249	-	-	4 249	4 249	-	-
Kgetlengrivier	1 362	-	-	1 362	1 362	-	-
Moses Kotane	1 000	-	-	1 000	1 000	-	-
Bojanala Platinum District Municipality	1 747	-	-	1 747	1 747	-	-
Ratlou	1 997	-	-	1 997	1 997	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Tswaing	1 182	-	-	1 182	1 182	-	-
Mafikeng	6 444	-	-	6 444	6 444	-	-
Ditsobotla	1 208	-	-	1 208	1 208	-	-
Ramotshere Moiloa	1 091	-	-	1 091	1 091	-	-
Ngaka Modiri Molema District Municipality	1 299	-	-	1 299	1 299	-	-
Naledi	2 224	-	-	2 224	2 224	-	-
Mamusa	1 245	-	-	1 245	1 245	-	-
Greater Taung	1 309	-	-	1 309	1 309	-	-
Lekwa-Teemane	1 188	-	-	1 188	1 188	-	-
Kagisano-Molopo	3 225	-	-	3 225	3 225	-	-
Dr Ruth Segomotsi Mompati District Municipality	4 842	-	-	4 842	4 842	-	-
City of Matlosana	2 246	-	-	2 246	2 246	-	-
Maquassi Hills	1 000	-	-	1 000	1 000	-	-
Ventersdorp/Tlokwe	3 868	-	-	3 868	3 868	-	-
Dr Kenneth Kaunda District Municipality	1 292	-	-	1 292	1 292	-	-
City of Cape Town	14 183	-	-	14 183	14 183	-	-
Matzikama	1 406	-	-	1 406	1 406	-	-
Cederberg	1 807	-	-	1 807	1 807	-	-
Bergivier	1 601	-	-	1 601	1 601	-	-
Saldanha Bay	1 500	-	-	1 500	1 500	-	-
Swartland	1 404	-	-	1 404	1 404	-	-
West Coast District Municipality	1 100	-	-	1 100	1 100	-	-
Witzenberg	1 485	-	-	1 485	1 485	-	-
Drakenstein	2 456	-	-	2 456	2 456	-	-
Stellenbosch	4 820	-	-	4 820	4 820	-	-
Breede Valley	2 093	-	-	2 093	2 093	-	-
Langeberg	1 866	-	-	1 866	1 866	-	-
Cape Winelands District Municipality	1 000	-	-	1 000	1 000	-	-
Theewaterskloof	1 621	-	-	1 621	1 621	-	-
Overstrand	2 300	-	-	2 300	2 300	-	-
Cape Agulhas	1 131	-	-	1 131	1 131	-	-

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Swellendam	1 291	-	-	1 291	1 291	-	-
Overberg District Municipality	1 142	-	-	1 142	1 142	-	-
Kannaland	1 000	-	-	1 000	1 000	-	-
Hessequa	1 033	-	-	1 033	1 033	-	-
Mossel Bay	2 291	-	-	2 291	2 291	-	-
George	4 001	-	-	4 001	4 001	-	-
Oudtshoorn	2 911	-	-	2 911	2 911	-	-
Bitou	2 232	-	-	2 232	2 232	-	-
Knysna	1 415	-	-	1 415	1 415	-	-
Eden District Municipality	1 280	-	-	1 280	1 280	-	-
Laingsburg	1 031	-	-	1 031	1 031	-	-
Prince Albert	1 000	-	-	1 000	1 000	-	-
Beaufort West	1 659	-	-	1 659	1 659	-	-
Central Karoo District Municipality	1 095	-	-	1 095	1 095	-	-
<b>Total</b>	<b>691 447</b>	<b>-</b>	<b>-</b>	<b>691 447</b>	<b>691 447</b>	<b>-</b>	<b>-</b>

National Departments are reminded of the DORA requirements to indicate any re-allocations by the National Treasury or the transferring department, certify that all transfers in terms of this Act were deposited into the primary bank account of a province or, where appropriate, into the CPD account of a province as well as indicate the funds utilised for the administration of the receiving officer.

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### ANNEXURE 1A

#### STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2016/17
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Amount Unspent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Buffalo City	4 952	-	-	4 952	4 952	-	-	4 952	3 024	1 928	61%	1 188
Nelson Mandela Bay	4 807	-	-	4 807	4 807	-	-	4 807	2 904	1 903	60%	8 496
Dr Beyers Naude (Camdeboo)	1 383	-	-	1 383	1 383	-	-	1 383	1 383	-	100%	3 101
Blue Crane Route	1 000	-	-	1 000	1 000	-	-	1 000	678	322	68%	1 008
Makana	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Ndlambe	1 000	-	-	1 000	1 000	-	-	1 000	951	49	95%	1 000
Sundays River Valley	1 000	-	-	1 000	1 000	-	-	1 000	764	236	76%	1 000
Kouga	1 000	-	-	1 000	1 000	-	-	1 000	864	136	86%	1 057
Kou-Kamma	1 000	-	-	1 000	1 000	-	-	1 000	486	514	49%	1 000
Sarah Baartman District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Mbhashe	4 236	-	-	4 236	4 236	-	-	4 236	4 236	-	100%	1 144
Mnquma	2 316	-	-	2 316	2 316	-	-	2 316	1 707	609	74%	1 000
Great Kei	1 263	-	-	1 263	1 263	-	-	1 263	910	353	72%	1 000
Amahlathi	1 389	-	-	1 389	1 389	-	-	1 389	1 389	-	100%	1 062
Ngqushwa	1 531	-	-	1 531	1 531	-	-	1 531	1 238	293	81%	1 000

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2016/17
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Amount Unspent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Raymond Mhlaba (Nkonkobe/Nxuba)	1 662	-	-	1 662	1 662	-	-	1 662	1 268	394	76%	2 167
Amathole District Municipality	1 527	-	-	1 527	1 527	-	-	1 527	609	918	40%	2 297
Inxuba Yethemba	1 079	-	-	1 079	1 079	-	-	1 079	917	162	85%	1 479
Intsika Yethu	2 520	-	-	2 520	2 520	-	-	2 520	1 610	910	64%	1 311
Emalahleni	1 308	-	-	1 308	1 308	-	-	1 308	1 005	303	77%	1 415
Engcobo	1 391	-	-	1 391	1 391	-	-	1 391	1 329	62	96%	2 000
Sakhisizwe	1 108	-	-	1 108	1 108	-	-	1 108	897	211	81%	1 117
Enoch Mgijima (Tsolwana/Ink)	4 889	-	-	4 889	4 889	-	-	4 889	3 054	1 835	62%	4 079
Chris Hani District Municipality	10 037	-	-	10 037	10 037	-	-	10 037	5 693	4 344	57%	7 797
Elundini	2 649	-	-	2 649	2 649	-	-	2 649	1 523	1 126	57%	1 548
Senqu	1 536	-	-	1 536	1 536	-	-	1 536	1 536	-	100%	1 497
Walter Sisulu (EC Maletswai/Gariep)	1 619	-	-	1 619	1 619	-	-	1 619	1 619	-	100%	2 438
Joe Gqabi District Municipality	2 227	-	-	2 227	2 227	-	-	2 227	1 585	642	71%	1 474
Ngquza Hill	1 880	-	-	1 880	1 880	-	-	1 880	1 509	371	80%	1 266
Port St Johns	1 501	-	-	1 501	1 501	-	-	1 501	783	718	52%	1 000
Nyandeni	1 291	-	-	1 291	1 291	-	-	1 291	1 291	-	100%	1 261
Mhlontlo	1 417	-	-	1 417	1 417	-	-	1 417	1 269	148	90%	1 232
King Sabata Dalindyebo	3 584	-	-	3 584	3 584	-	-	3 584	1 656	1 928	46%	1 699
O.R. Tambo District Municipality	4 811	-	-	4 811	4 811	-	-	4 811	4 234	577	88%	3 213



NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2016/17
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Amount Unspent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Umzimvubu	2 537	-	-	2 537	2 537	-	-	2 537	1 380	1 157	54%	1 626
Matatiele	2 780	-	-	2 780	2 780	-	-	2 780	2 332	448	84%	1 790
Mbizana	1 704	-	-	1 704	1 704	-	-	1 704	1 278	426	75%	1 084
Ntabankulu	2 311	-	-	2 311	2 311	-	-	2 311	1 491	820	65%	1 231
Alfred Nzo District Municipality	10 280	-	-	10 280	10 280	-	-	10 280	4 754	5 526	46%	6 006
Mangaung	7 629	-	-	7 629	7 629	-	-	7 629	7 629	-	100%	5 151
Letsemeng	1 000	-	-	1 000	1 000	-	-	1 000	508	492	51%	1 000
Kopanong	1 000	-	-	1 000	1 000	-	-	1 000	582	418	58%	1 155
Mohokare	1 000	-	-	1 000	1 000	-	-	1 000	745	255	75%	1 000
Xhariep District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	718	282	72%	1 053
Masilonyana	1 000	-	-	1 000	1 000	-	-	1 000	946	54	95%	1 147
Tokologo	1 000	-	-	1 000	1 000	-	-	1 000	800	200	80%	1 032
Tswelopele	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Matjhabeng	1 000	-	-	1 000	1 000	-	-	1 000	762	238	76%	1 131
Nala	1 000	-	-	1 000	1 000	-	-	1 000	788	212	79%	1 000
Lejweputswa District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	789	211	79%	1 000
Setso	1 889	-	-	1 889	1 889	-	-	1 889	1 290	599	68%	1 908
Dihlabeng	1 000	-	-	1 000	1 000	-	-	1 000	955	45	96%	1 000
Nketoana	1 000	-	-	1 000	1 000	-	-	1 000	838	162	84%	1 023
Maluti-a-Phofung	5 219	-	-	5 219	5 219	-	-	5 219	5 219	-	100%	7 650
Phumelela	1 000	-	-	1 000	1 000	-	-	1 000	823	177	82%	1 000
Mantsopa	1 000	-	-	1 000	1 000	-	-	1 000	986	14	99%	1 000

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2016/17
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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Thabo Mofutsanyana District Municipality	2 142	-	-	2 142	2 142	-	-	2 142	1 094	1 048	51%	1 120
Moqhaka	1 000	-	-	1 000	1 000	-	-	1 000	547	453	55%	1 000
Ngwathe	1 000	-	-	1 000	1 000	-	-	1 000	986	14	99%	1 078
Metsimaholo	1 000	-	-	1 000	1 000	-	-	1 000	557	443	56%	1 060
Mafube	1 000	-	-	1 000	1 000	-	-	1 000	730	270	73%	1 000
Ekurhuleni	44 718	-	-	44 718	44 718	-	-	44 718	33 656	11 062	75%	22 125
City of Johannesburg	17 421	-	-	17 421	17 421	-	-	17 421	9 807	7 614	56%	47 613
City of Tshwane	20 451	-	-	20 451	20 451	-	-	20 451	20 451	-	100%	50 247
Emfuleni	2 847	-	-	2 847	2 847	-	-	2 847	2 847	-	100%	2 528
Midvaal	1 119	-	-	1 119	1 119	-	-	1 119	1 119	-	100%	1 279
Lesedi	1 324	-	-	1 324	1 324	-	-	1 324	1 324	-	100%	1 238
Sedibeng District Municipality	2 490	-	-	2 490	2 490	-	-	2 490	1 741	749	70%	1 000
Mogale City	4 917	-	-	4 917	4 917	-	-	4 917	3 789	1 128	77%	1 089
Merafong City	1 470	-	-	1 470	1 470	-	-	1 470	1 120	350	76%	1 424
Rand West City (Randfontein&Westrand)	2 673	-	-	2 673	2 673	-	-	2 673	2 673	-	100%	2 927
West Rand District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	687	313	69%	1 305
eThekweni	66 792	-	-	66 792	66 792	-	-	66 792	66 792	-	100%	49 478
uMdoni	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	2 038
uMzumbane	1 291	-	-	1 291	1 291	-	-	1 291	953	338	74%	1 083
uMuziwabantu	1 006	-	-	1 006	1 006	-	-	1 006	1 006	-	100%	1 129
Ray Nkonyeni (Hibiscus Coast)	3 306	-	-	3 306	3 306	-	-	3 306	2 714	592	82%	2 660

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Ugu District Municipality	1 956	-	-	1 956	1 956	-	-	1 956	1 325	631	68%	1 788
uMshwathi	2 065	-	-	2 065	2 065	-	-	2 065	723	1 342	35%	1 313
uMngeni	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 317
Mpofana	1 000	-	-	1 000	1 000	-	-	1 000	684	316	68%	1 000
iMpendle	1 460	-	-	1 460	1 460	-	-	1 460	1 333	127	91%	1 443
Msunduzi	8 022	-	-	8 022	8 022	-	-	8 022	8 022	-	100%	6 809
Mkhambathini	1 089	-	-	1 089	1 089	-	-	1 089	1 029	60	94%	1 253
Richmond	1 443	-	-	1 443	1 443	-	-	1 443	1 443	-	100%	1 277
uMgungundlovu District Municipality	1 428	-	-	1 428	1 428	-	-	1 428	1 428	-	100%	2 094
Okhahlamba	3 911	-	-	3 911	3 911	-	-	3 911	3 911	-	100%	2 934
iNkosi Langalibalele(KZN Umtshezi)	5 133	-	-	5 133	5 133	-	-	5 133	3 694	1 439	72%	2 328
Alfred Duma(KZN Ladysmith)	3 347	-	-	3 347	3 347	-	-	3 347	3 347	-	100%	4 906
uThukela District Municipality	3 724	-	-	3 724	3 724	-	-	3 724	3 724	-	100%	3 169
eNdumeni	1 218	-	-	1 218	1 218	-	-	1 218	1 018	200	84%	1 127
Nquthu	1 003	-	-	1 003	1 003	-	-	1 003	1 003	-	100%	1 337
uMsinga	4 775	-	-	4 775	4 775	-	-	4 775	4 764	11	100%	2 095
uMvoti	1 007	-	-	1 007	1 007	-	-	1 007	801	206	80%	2 373
uMzinyathi District Municipality	2 444	-	-	2 444	2 444	-	-	2 444	1 394	1 050	57%	2 350
Newcastle	4 166	-	-	4 166	4 166	-	-	4 166	3 187	979	77%	3 173
eMadlangeni	1 000	-	-	1 000	1 000	-	-	1 000	796	204	80%	1 284
Dannhauser	1 000	-	-	1 000	1 000	-	-	1 000	878	122	88%	1 119

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Amajuba District Municipality	1 789	-	-	1 789	1 789	-	-	1 789	1 562	227	87%	1 497
	1 389	-	-	1 389	1 389	-	-	1 389	705	684	51%	1 000
	4 678	-	-	4 678	4 678	-	-	4 678	3 512	1 166	75%	3 021
	1 505	-	-	1 505	1 505	-	-	1 505	1 505	-	100%	1 398
Nongoma	1 039	-	-	1 039	1 039	-	-	1 039	799	240	77%	1 102
Ulundi	2 995	-	-	2 995	2 995	-	-	2 995	2 983	12	100%	1 000
Zululand District Municipality	5 760	-	-	5 760	5 760	-	-	5 760	5 247	513	91%	3 624
uMhlabyalindana	4 165	-	-	4 165	4 165	-	-	4 165	3 572	593	86%	2 277
Jozini	3 156	-	-	3 156	3 156	-	-	3 156	3 156	-	100%	3 338
Mtubatuba	1 558	-	-	1 558	1 558	-	-	1 558	1 087	471	70%	1 408
Big Five Hlabisa	2 051	-	-	2 051	2 051	-	-	2 051	2 051	-	100%	3 545
uMkhanyakude District Municipality	1 008	-	-	1 008	1 008	-	-	1 008	1 008	-	100%	1 293
uMfolozi	1 418	-	-	1 418	1 418	-	-	1 418	1 418	-	100%	1 649
uMhlathuze	4 143	-	-	4 143	4 143	-	-	4 143	3 867	276	93%	5 061
uMlalazi	2 985	-	-	2 985	2 985	-	-	2 985	2 193	792	73%	2 924
Mthonjaneni	2 222	-	-	2 222	2 222	-	-	2 222	2 222	-	100%	2 161
Nkandla	3 210	-	-	3 210	3 210	-	-	3 210	2 463	747	77%	2 149
King Cetshwayo (Uthungulu)	5 032	-	-	5 032	5 032	-	-	5 032	3 314	1 718	66%	5 466
Mandeni	2 285	-	-	2 285	2 285	-	-	2 285	1 645	640	72%	2 055
KwaDukuza	1 565	-	-	1 565	1 565	-	-	1 565	1 480	85	95%	1 285
Ndwedwe	1 768	-	-	1 768	1 768	-	-	1 768	1 324	444	75%	1 791
Maphumulo	1 529	-	-	1 529	1 529	-	-	1 529	994	535	65%	1 261

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
iLembe District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 850
Greater Kokstad	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 619
uBuhlebezwe	1 000	-	-	1 000	1 000	-	-	1 000	801	199	80%	1 985
uMzimkhulu	1 923	-	-	1 923	1 923	-	-	1 923	1 923	-	100%	1 299
Dr Nkosazana Dlamini Zuma (KZN Ingwe)	1 877	-	-	1 877	1 877	-	-	1 877	1 849	28	99%	2 191
Harry Gwala District Municipality	1 718	-	-	1 718	1 718	-	-	1 718	1 139	579	66%	3 364
Ephraim Mogale	1 447	-	-	1 447	1 447	-	-	1 447	1 447	-	100%	1 258
Makhuduthamaga	1 158	-	-	1 158	1 158	-	-	1 158	1 158	-	100%	1 505
Elias Motsoaledi	1 444	-	-	1 444	1 444	-	-	1 444	1 065	379	74%	1 095
LIM Greater Tzane- se/Fetakgomo	1 279	-	-	1 279	1 279	-	-	1 279	662	617	52%	2 121
Sekhukhune Dis- trict Municipality	1 085	-	-	1 085	1 085	-	-	1 085	797	288	73%	1 539
Greater Giyani	4 364	-	-	4 364	4 364	-	-	4 364	2 822	1 542	65%	1 158
Greater Letaba	2 384	-	-	2 384	2 384	-	-	2 384	1 398	986	59%	1 405
Greater Tzaneen	4 918	-	-	4 918	4 918	-	-	4 918	3 594	1 324	73%	1 949
Ba-Phalaborwa	1 000	-	-	1 000	1 000	-	-	1 000	973	27	97%	1 000
Maruleng	1 124	-	-	1 124	1 124	-	-	1 124	1 043	81	93%	1 000
Mopani District Municipality	1 725	-	-	1 725	1 725	-	-	1 725	1 725	-	100%	1 943
(Musina)	1 013	-	-	1 013	1 013	-	-	1 013	1 013	-	100%	1 879
LIM (Thulamela)	2 543	-	-	2 543	2 543	-	-	2 543	2 543	-	100%	2 986
Makhado	2 048	-	-	2 048	2 048	-	-	2 048	1 536	512	75%	1 281
LIM	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	-

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Vhembe District Municipality	1 316	-	-	1 316	1 316	-	-	1 316	366	950	28%	3 462
Blouberg	1 562	-	-	1 562	1 562	-	-	1 562	1 295	267	83%	1 808
Molemole	1 000	-	-	1 000	1 000	-	-	1 000	568	432	57%	1 382
Polokwane	4 978	-	-	4 978	4 978	-	-	4 978	4 002	976	80%	5 975
Lepele-Nkumpi	1 160	-	-	1 160	1 160	-	-	1 160	1 095	65	94%	1 295
Capricorn District Municipality	5 080	-	-	5 080	5 080	-	-	5 080	3 131	1 949	62%	2 922
Thabazimbi	1 008	-	-	1 008	1 008	-	-	1 008	441	567	44%	2 070
Lephalale	1 215	-	-	1 215	1 215	-	-	1 215	630	585	52%	1 215
Bela-Bela	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 082
Mogalakwena	1 093	-	-	1 093	1 093	-	-	1 093	624	469	57%	2 073
LIM Modimolle/Mookgopong	1 160	-	-	1 160	1 160	-	-	1 160	1 160	-	100%	2 302
Waterberg District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	-	1 000	0%	1 102
Chief Albert Luthuli	1 477	-	-	1 477	1 477	-	-	1 477	1 407	70	95%	3 304
Msukaligwa	1 458	-	-	1 458	1 458	-	-	1 458	1 366	92	94%	1 376
Mkhondo	3 350	-	-	3 350	3 350	-	-	3 350	3 192	158	95%	2 452
Dr Pixley ka Isaka Seme	1 759	-	-	1 759	1 759	-	-	1 759	1 596	163	91%	1 702
Lekwa	1 013	-	-	1 013	1 013	-	-	1 013	282	731	28%	1 012
Dipaleseng	1 706	-	-	1 706	1 706	-	-	1 706	1 250	456	73%	1 510
Govan Mbeki	4 244	-	-	4 244	4 244	-	-	4 244	2 796	1 448	66%	2 568
Gert Sibande District Municipality	4 459	-	-	4 459	4 459	-	-	4 459	2 177	2 282	49%	3 113
Victor Khanye	2 275	-	-	2 275	2 275	-	-	2 275	2 275	-	100%	2 040
Emalahleni	1 717	-	-	1 717	1 717	-	-	1 717	1 717	-	100%	2 891

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	
Steve Tshwete	5 270	-	-	5 270	5 270	-	-	5 270	3 799	1 471	72%	2 103
Emakhazeni	1 290	-	-	1 290	1 290	-	-	1 290	805	485	62%	1 217
Thembisile Hani	2 560	-	-	2 560	2 560	-	-	2 560	1 782	778	70%	2 244
Dr JS Moroka	3 246	-	-	3 246	3 246	-	-	3 246	2 993	253	92%	4 257
Nkangala District Municipality	4 182	-	-	4 182	4 182	-	-	4 182	1 910	2 272	46%	2 318
Thaba Chweu	1 909	-	-	1 909	1 909	-	-	1 909	1 523	386	80%	1 683
Nkomazi	7 174	-	-	7 174	7 174	-	-	7 174	5 219	1 955	73%	5 917
Bushbuckridge	9 355	-	-	9 355	9 355	-	-	9 355	6 861	2 494	73%	3 780
City of Mbombela	6 714	-	-	6 714	6 714	-	-	6 714	2 838	3 876	42%	5 686
Ehlanzeni District Municipality	4 355	-	-	4 355	4 355	-	-	4 355	-	-	100%	2 274
Joe Morolong	1 000	-	-	1 000	1 000	-	-	1 000	668	332	67%	1 050
Richtersveld	1 000	-	-	1 000	1 000	-	-	1 000	415	585	42%	1 000
Nama Khoi	1 000	-	-	1 000	1 000	-	-	1 000	832	168	83%	1 000
Kamiesberg	1 000	-	-	1 000	1 000	-	-	1 000	727	273	73%	1 000
Hantam	1 000	-	-	1 000	1 000	-	-	1 000	994	6	99%	1 127
Karoo Hoogland	1 000	-	-	1 000	1 000	-	-	1 000	705	295	71%	1 000
Khâi-Ma	1 000	-	-	1 000	1 000	-	-	1 000	783	217	78%	1 000
Namakwa District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	995	5	100%	1 000
Ubuntu	1 000	-	-	1 000	1 000	-	-	1 000	578	422	58%	1 000
Umsobomvu	1 000	-	-	1 000	1 000	-	-	1 000	462	538	46%	1 000
Emthanjeni	1 086	-	-	1 086	1 086	-	-	1 086	623	463	57%	1 000
Kareeberg	1 000	-	-	1 000	1 000	-	-	1 000	758	242	76%	1 000
Renosterberg	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Thembelihle	1 000	-	-	1 000	1 000	-	-	1 000	555	445	56%	1 000
Siyathemba	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000

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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Siyancuma	1 000	-	-	1 000	1 000	-	-	1 000	724	276	72%	1 000
Pixley Ka Seme District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	363	637	36%	1 000
!Kai !Garib	1 000	-	-	1 000	1 000	-	-	1 000	774	226	77%	1 000
!Kheis	1 000	-	-	1 000	1 000	-	-	1 000	907	93	91%	1 000
Tsantsabane	1 000	-	-	1 000	1 000	-	-	1 000	154	846	15%	1 000
Kgatelopele	1 000	-	-	1 000	1 000	-	-	1 000	269	731	27%	1 000
Dawid Kruiper (Khara Hais/Mier)	1 161	-	-	1 161	1 161	-	-	1 161	159	1 002	14%	2 000
Z.F. Mqacawu District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	554	446	55%	1 000
Sol Plaatje	4 762	-	-	4 762	4 762	-	-	4 762	4 762	-	100%	5 574
Dikgatlong	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Magareng	1 000	-	-	1 000	1 000	-	-	1 000	291	709	29%	1 000
Phokwane	1 000	-	-	1 000	1 000	-	-	1 000	489	511	49%	1 037
Frances Baard District Municipality	1 168	-	-	1 168	1 168	-	-	1 168	429	739	37%	1 000
Ga-Segonyana	1 000	-	-	1 000	1 000	-	-	1 000	673	327	67%	1 000
Gamagara	1 158	-	-	1 158	1 158	-	-	1 158	249	909	22%	1 000
John Taolo Gaetsewe District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	993	7	99%	1 000
Moretele	1 544	-	-	1 544	1 544	-	-	1 544	1 544	-	100%	4 228
Madibeng	2 591	-	-	2 591	2 591	-	-	2 591	1 541	1 050	59%	1 545
Rustenburg	4 249	-	-	4 249	4 249	-	-	4 249	2 862	1 387	67%	4 219
Kgetlengrivier	1 362	-	-	1 362	1 362	-	-	1 362	841	521	62%	1 737
Moses Kotane	1 000	-	-	1 000	1 000	-	-	1 000	559	441	56%	2 735



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	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	
Bojanala Platinum District Municipality	1 747	-	-	1 747	1 747	-	-	1 747	1 464	283	84%	1 557	
Ratlou	1 997	-	-	1 997	1 997	-	-	1 997	1 508	489	76%	1 433	
Tswaing	1 182	-	-	1 182	1 182	-	-	1 182	785	397	66%	1 330	
Mafikeng	6 444	-	-	6 444	6 444	-	-	6 444	4 002	2 442	62%	3 672	
Ditsobotla	1 208	-	-	1 208	1 208	-	-	1 208	931	277	77%	1 038	
Ramotshere Moiloa	1 091	-	-	1 091	1 091	-	-	1 091	273	818	25%	1 104	
Ngaka Modiri Molema District Municipality	1 299	-	-	1 299	1 299	-	-	1 299	956	343	74%	1 601	
Naledi	2 224	-	-	2 224	2 224	-	-	2 224	1 110	1 114	50%	1 884	
Mamusa	1 245	-	-	1 245	1 245	-	-	1 245	683	562	55%	1 078	
Greater Taung	1 309	-	-	1 309	1 309	-	-	1 309	1 164	145	89%	1 352	
Lekwa-Teemane	1 188	-	-	1 188	1 188	-	-	1 188	848	340	71%	1 000	
Kagisano-Molopo	3 225	-	-	3 225	3 225	-	-	3 225	2 358	867	73%	1 025	
Dr Ruth Segomotsi Mompoti District Municipality	4 842	-	-	4 842	4 842	-	-	4 842	2 894	1 948	60%	2 273	
City of Matlosana	2 246	-	-	2 246	2 246	-	-	2 246	1 131	1 115	50%	1 656	
Maquassi Hills	1 000	-	-	1 000	1 000	-	-	1 000	818	182	82%	1 083	
JB Marks (Venters-dorp/Tlokwe)	3 868	-	-	3 868	3 868	-	-	3 868	3 868	-	100%	3 421	
Dr Kenneth Kaunda District Municipality	1 292	-	-	1 292	1 292	-	-	1 292	919	373	71%	1 479	
City of Cape Town	14 183	-	-	14 183	14 183	-	-	14 183	13 975	208	99%	31 740	

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2016/17
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Amount Unspent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	
Matzikama	1 406	-	-	1 406	1 406	-	-	1 406	1 406	-	100%	1 119
Cederberg	1 807	-	-	1 807	1 807	-	-	1 807	1 807	-	100%	1 000
Bergvriër	1 601	-	-	1 601	1 601	-	-	1 601	1 113	488	70%	1 141
Saldanha Bay	1 500	-	-	1 500	1 500	-	-	1 500	1 500	-	100%	1 071
Swartland	1 404	-	-	1 404	1 404	-	-	1 404	1 404	-	100%	1 460
West Coast District Municipality	1 100	-	-	1 100	1 100	-	-	1 100	791	309	72%	1 036
Witzenberg	1 485	-	-	1 485	1 485	-	-	1 485	1 485	-	100%	1 336
Drakenstein	2 456	-	-	2 456	2 456	-	-	2 456	2 330	126	95%	1 352
Stellenbosch	4 820	-	-	4 820	4 820	-	-	4 820	4 729	91	98%	1 758
Breede Valley	2 093	-	-	2 093	2 093	-	-	2 093	1 700	393	81%	1 291
Langeberg	1 866	-	-	1 866	1 866	-	-	1 866	1 724	142	92%	1 759
Cape Winelands District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	1 000	-	100%	1 000
Theewaterskloof	1 621	-	-	1 621	1 621	-	-	1 621	1 621	-	100%	1 104
Overstrand	2 300	-	-	2 300	2 300	-	-	2 300	1 667	633	72%	1 922
Cape Agulhas	1 131	-	-	1 131	1 131	-	-	1 131	1 131	-	100%	1 210
Swellendam	1 291	-	-	1 291	1 291	-	-	1 291	829	462	64%	1 177
Overberg District Municipality	1 142	-	-	1 142	1 142	-	-	1 142	1 087	55	95%	1 000
Kannaland	1 000	-	-	1 000	1 000	-	-	1 000	646	354	65%	1 000
Hessequa	1 033	-	-	1 033	1 033	-	-	1 033	266	767	26%	1 088
Mossel Bay	2 291	-	-	2 291	2 291	-	-	2 291	1 627	664	71%	1 839
George	4 001	-	-	4 001	4 001	-	-	4 001	4 001	-	100%	4 014
Oudtshoorn	2 911	-	-	2 911	2 911	-	-	2 911	2 911	-	100%	2 448
Bitou	2 232	-	-	2 232	2 232	-	-	2 232	2 232	-	100%	1 869
Knysna	1 415	-	-	1 415	1 415	-	-	1 415	1 135	280	80%	1 292

NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			SPENT				2016/17
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Amount Unspent by municipality	% of available funds spent by municipality	Division of Revenue Act	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	
Eden District Municipality	1 280	-	-	1 280	1 280	-	-	1 280	1 023	257	80%	1 000	
Laingsburg	1 031	-	-	1 031	1 031	-	-	1 031	1 031	-	100%	1 000	
Prince Albert	1 000	-	-	1 000	1 000	-	-	1 000	902	98	90%	1 000	
Beaufort West	1 659	-	-	1 659	1 659	-	-	1 659	1 300	359	78%	1 617	
Central Karoo District Municipality	1 095	-	-	1 095	1 095	-	-	1 095	490	605	45%	1 000	
<b>Total</b>	<b>691 447</b>	<b>-</b>	<b>-</b>	<b>691 447</b>	<b>691 447</b>	<b>-</b>	<b>-</b>	<b>691 447</b>	<b>552 488</b>	<b>138 959</b>		<b>663 991</b>	

National Departments are reminded of the DORA requirements to indicate any re-allocations by the National Treasury or the transferring department, certify that all transfers in terms of this Act were deposited into the primary bank account of a province or, where appropriate, into the CPD account of a province as well as indicate the funds utilised for the administration of the receiving officer.

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**ANNEXURE 1B**

**STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2016/17
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Construction Industry Development Board	74 984	-	-	74 984	74 984	100%	52 059
Council for the Built Environment	48 568	-	-	48 568	48 568	100%	43 413
Property Management Trading Entity	3 682 254	-	-	3 682 254	3 682 254	100%	3 389 448
Construction SETA	516	-	-	516	486	94%	500
Parliamentary Village Management Board	10 051	-	-	10 051	10 051	100%	9 572
Agrément SA	29 045	-	-	29 045	29 045	100%	12 383
<b>Total</b>	<b>3 845 418</b>	<b>-</b>	<b>-</b>	<b>3 845 418</b>	<b>3 845 388</b>		<b>3 507 375</b>

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### ANNEXURE 1C

#### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2016/17
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
<b>Transfers</b>									
Independent Development Trust	111 066	-	-	111 066	111 066	100%	-	-	-
<b>Subtotal</b>	<b>111 066</b>			<b>111 066</b>	<b>111 066</b>	<b>100%</b>	-	-	-
<b>Subsidies</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>111 066</b>	-	-	<b>111 066</b>	<b>111 066</b>	<b>100%</b>	-	-	-

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**ANNEXURE 1D**

**STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS**

FOREIGN GOVERNMENT/INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2016/17
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Transfers</b>							
Commonwealth War Graves Commission	22 342	-	-	22 342	22 342	100%	28 234
<b>Total</b>	<b>22 342</b>	<b>-</b>		<b>22 342</b>	<b>22 342</b>		<b>28 234</b>

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### ANNEXURE 1E

#### STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

	TRANSFER ALLOCATION				EXPENDITURE		2016/17
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>NON-PROFIT INSTITUTIONS</b>							
<b>Transfers</b>							
Non State Sector	623 904	-	-	623 904	623 904	100%	600 257
SACLAP	120	-	-	120	120	100%	170
<b>Total</b>	<b>624 024</b>	<b>-</b>	<b>-</b>	<b>624 024</b>	<b>624 024</b>		<b>600 427</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2018

**ANNEXURE 1F**

**STATEMENT OF TRANSFERS TO HOUSEHOLDS**

	TRANSFER ALLOCATION				EXPENDITURE		2016/17
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>HOUSEHOLDS</b>							
<b>Transfers</b>							
Households	13 032	-	861	13 893	13 554	98%	10 210
<b>Subtotal</b>	<b>13 032</b>	<b>-</b>	<b>861</b>	<b>13 893</b>	<b>13 554</b>		<b>10 210</b>
Subsidies	-	-	-	-	-	-	-
<b>Total</b>	<b>13 032</b>	<b>-</b>	<b>861</b>	<b>13 893</b>	<b>13 554</b>		<b>10 210</b>



# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### ANNEXURE 2A

#### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2018 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2017	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2018	Guaranteed interest for year ended 31 March 2018	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Housing</b>									
	Old Mutual (Nedbank/Perm)	13	13	-	-	-	13	-	-
	<b>Subtotal</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2018

**ANNEXURE 2B**

**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2018**

Nature of Liability	Opening Balance	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance
	1 April 2017				31 March 2018
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
Services rendered	874	-	874	-	-
<b>Subtotal</b>	<b>874</b>	<b>-</b>	<b>874</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>874</b>	<b>-</b>	<b>874</b>	<b>-</b>	<b>-</b>

# NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

### ANNEXURE 3

#### CLAIMS RECOVERABLE

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2017/18 *	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	Receipt date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
<b>Department</b>								
Basic Education	-	-	54 541	51 802	54 541	51 802		-
Defence	-	-	-	88	-	88		-
Provincial Department	-	83	-	42	-	125		-
Women and Children	-	-	-	2	-	2		-
Water Affairs	-	-	-	1	-	1		-
Sport and Recreation SA	1 096	-	-	-	1 096	-		-
<b>Subtotal</b>	<b>1 096</b>	<b>83</b>	<b>54 541</b>	<b>51 935</b>	<b>55 637</b>	<b>52 018</b>		-
<b>Other Government Entities</b>								
Public Works (PMTE)	-	550 311	32 095	13 265	32 095	563 576		-
SETA	-	-	3 612	5 487	3 612	5 487		-
CETA	-	-	8 433	8 879	8 433	8 879		-
<b>Subtotal</b>	<b>-</b>	<b>550 311</b>	<b>44 140</b>	<b>27 631</b>	<b>44 140</b>	<b>577 942</b>		-
<b>Total</b>	<b>1 096</b>	<b>550 394</b>	<b>98 681</b>	<b>79 566</b>	<b>99 777</b>	<b>629 960</b>		-

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2018

**ANNEXURE 4**

**INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Justice and Constitutional Development	2 795	1 388	-	-	2 795	1 388
Department of Public Works (Free State)	-	-	-	1	-	1
Government Employees Pension Fund	156	22	-	-	156	22
South African Police Services	-	86	-	545	-	631
Department of Public Works(EC)	20	-	-	-	20	-
Department of Sport & Recreation	533	-	-	-	533	-
Department of Water and Sanitation	14	-	-	-	14	-
<b>Subtotal</b>	<b>3 518</b>	<b>1 496</b>	<b>-</b>	<b>546</b>	<b>3 518</b>	<b>2 042</b>
<b>Non-current</b>						
Department of Labour	-	41	-	-	-	41
Department of Agriculture	-	-	-	761	-	761
Department of International Relations and Coordinations	-	-	-	725	-	725
Development of Social Development: Kwazulu-Natal	-	-	-	1	-	1
<b>Subtotal</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>1 487</b>	<b>-</b>	<b>1 528</b>
<b>Total</b>	<b>3 518</b>	<b>1 537</b>	<b>-</b>	<b>2 033</b>	<b>3 518</b>	<b>3 570</b>

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>OTHER GOVERNMENT ENTITY</b>						
<b>Current</b>						
Property Management Trading Entity (PMTE)		1 493	-	-	2 793	1 493
AGSA	2 793	1 526	-	-	1 200	1 526
Telkom SA LTD	1 200	427	-	-	365	427
Cathseta	365	9 658	-	-	-	9 658
Agriseta	-	4 194	-	-	-	4 194
CBE	-	47	-	-	-	47
Post Office SA	-	2	-	-	-	2
SARS	-	77	-	-	-	77
SITA	-	188	-	-	-	188
CSIR	103	-	-	-	103	-
<b>Subtotal</b>	<b>4 461</b>	<b>17 612</b>	<b>-</b>	<b>-</b>	<b>4 461</b>	<b>17 612</b>
<b>Non-current</b>						
AGRISETA	-	-	450	-	450	-
MERSETA	-	-	2 265	-	2 265	-
CATHSSETA	-	-	14 077	-	14 077	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>16 792</b>	<b>-</b>	<b>16 792</b>	<b>-</b>
<b>Total</b>	<b>4 461</b>	<b>17 612</b>	<b>16 792</b>	<b>-</b>	<b>21 253</b>	<b>17 612</b>
<b>TOTAL INTERGOVERNMENTAL PAYABLES</b>						
	<b>7 979</b>	<b>19 149</b>	<b>16 792</b>	<b>2 033</b>	<b>24 771</b>	<b>21 182</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2018

**ANNEXURE 5A**

**INTER-ENTITY ADVANCES PAID (note 11)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>NATIONAL DEPARTMENTS</b>						
DIRCO	635	-	-	-	635	
GCIS	205	1 126	-	-	205	1 126
<b>Subtotal</b>	<b>840</b>	<b>1 126</b>	<b>-</b>	<b>-</b>	<b>840</b>	<b>1 126</b>
<b>PUBLIC ENTITIES</b>						
IDT	10 084	5 606	-	-	10 084	5 606
<b>Subtotal</b>	<b>10 084</b>	<b>5 606</b>	<b>-</b>	<b>-</b>	<b>10 084</b>	<b>5 606</b>
<b>OTHER ENTITIES</b>						
Municipalities	-	1	-	-	-	1
ILO	3 857	539	-	-	3 857	539
<b>Subtotal</b>	<b>3 857</b>	<b>540</b>	<b>-</b>	<b>-</b>	<b>3 857</b>	<b>540</b>
<b>Total</b>	<b>14 781</b>	<b>7 272</b>	<b>-</b>	<b>-</b>	<b>14 781</b>	<b>7 272</b>

**NATIONAL DEPARTMENT OF PUBLIC WORKS VOTE 11**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2018

**ANNEXURE 5B**

**INTER-ENTITY ADVANCES RECEIVED (note 16)**

	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>ENTITY</b>						
<b>NATIONAL DEPARTMENTS</b>						
<b>Non-Current</b>						
Eastern Cape Department of Roads and Public Works	20	20	-	-	20	20
<b>Subtotal</b>	<b>20</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>PUBLIC ENTITIES</b>						
<b>Current</b>						
National Skills Fund	24 177	22 188	-	-	24 177	22 188
<b>Subtotal</b>	<b>24 177</b>	<b>22 188</b>	<b>-</b>	<b>-</b>	<b>24 177</b>	<b>22 188</b>
<b>Total</b>	<b>24 197</b>	<b>22 208</b>	<b>-</b>	<b>-</b>	<b>24 197</b>	<b>22 208</b>
<b>Current</b>	24 177	22 188	-	-	24 177	22 188
<b>Non-current</b>	20	20	-	-	20	20



## CHAPTER 5

### PART B: FINANCIAL INFORMATION



## PROPERTY MANAGEMENT TRADING ENTITY

### Annual Financial Statements for the year ended 31 March 2018

## CONTENTS

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Report of the Auditor-General to Parliament	293
The reports and statements set out below comprise the annual financial statements presented to parliament:	
Statement of Financial Position	299
Statement of Financial Performance	300
Statement of Changes in Net Assets	301
Cash Flow Statement	302
Statement of Comparison of Budget and Actual Amounts	303
Notes to the Annual Financial Statements	304
The annual financial statements set out on pages 299 to 367 have been prepared on the going concern basis.	

# Report of the Auditor-General to parliament on the Property Management Trading Entity

## Qualified opinion

1. I have audited the financial statements of the Property Management Trading Entity set out on pages 299 to 367, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the annual financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Property Management Trading Entity as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

## Basis for qualified opinion

### Property, plant and equipment

3. The trading entity did not correctly measure deemed costs for property, plant and equipment recognised in accordance with GRAP 17: Property, plant and equipment read in conjunction with GRAP directive 7: The application of deemed cost. The entity incorrectly utilised the source data in determining deemed costs of the properties being measured. Consequently, property, plant and equipment was overstated by R11,8 billion (2017: R12,7 billion). Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

### Payables from exchange transactions

4. The trading entity did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*. The system utilised by the trading entity to maintain records of outstanding payments for goods and services received but not yet paid at year-end was inadequate. Consequently accrued expenses for assets were understated by R295 million. Additionally, there was an impact on the surplus for the period.

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
6. I am independent of the trading entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Going concern

9. I draw attention to Note 1.25 to the financial statements, which indicates that the trading entity as of 31 March 2018, has a bank overdraft of R2.3 billion (2017: R1.9 billion) and the current liabilities exceed the current assets by R10.3 billion (2017: R9.3 billion).

## Material impairments

10. As disclosed in note 22 to the financial statements, material impairments to the amount of R1,1 billion were provided for as a result of irrecoverable receivables from exchange transactions.

## Restatement of corresponding figures

11. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the trading entity at, and for the year ended, 31 March 2018.

## Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the Property Management Trading Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

### Report on the audit of the annual performance report

#### Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the trading entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the trading entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 - real estate investment services	88 - 89
Programme 3 - construction project management	90 - 91
Programme 4 - real estate management services	92 - 93
Programme 5 - real estate information and registry services	94
Programme 6 - facilities management	95 - 96

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

#### Programme 3 - construction project management

Number of infrastructure projects completed

21. The achievement for target 106 infrastructure projects completed reported in the annual performance report was 148. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 178.

#### Programme 4 - real estate management services

Various indicators

22. I was unable to obtain sufficient appropriate audit evidence for the achievement as reported in the annual performance report for the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator description	Planned target	Reported achievement
Savings realised on identified private leases	R100 mil	R12,101,868.40
Percentage of new leases awarded to black owned companies	25%	67%
Number of private leases reduced within the security cluster	6	7

## Programme 6 - facilities management

Various indicators

23. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
Number of facilities with maintenance contracts in place	742	1022
Percentage of term contracts awarded to black owned companies	65%	87%

Percentage of unscheduled reported maintenance incidents resolved within agreed timeframes

24. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 10% unscheduled reported maintenance incidents resolved within agreed timeframes. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 5% as reported in the annual performance report.
25. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 2 - real estate investment services
  - Programme 5 - real estate information and registry services

## Other matters

26. I draw attention to the matters below.

### Achievement of planned targets

27. Refer to the annual performance report on pages 88 to 96 for information on the achievement of planned targets for the year and explanations provided for the under and over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 21 to 24 of this report.

### Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2: real estate investment services, programme 3: construction project management, programme 5: real estate information and registry and programme 6: facilities management. As management subsequently corrected only some of the misstatements, I reported material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on audit of compliance with legislation

### Introduction and scope

29. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the trading entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
30. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

### Annual financial statements, performance and annual reports

31. Financial statements were not submitted for auditing within two months after the end of financial year as required by section 40(1)(c)(i) of the PFMA.

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework in certain instances, and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

### **Expenditure management**

33. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R159 million, as disclosed in note 32 to the annual financial statements as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.
34. Payments were not made within 30 days or an agreed period after receipt of an invoice in certain instances as required by treasury regulation 8.2.3.
35. Payments were made before goods or services were received, in contravention of treasury regulation 15.10.1.2(c).

### **Revenue management**

36. Effective and appropriate steps were not taken to collect all money due in certain instances as required by section 38(1)(c)(i) of the PFMA.

### **Other information**

37. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
38. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
39. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

40. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Internal control deficiencies**

41. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

### **Leadership**

42. Leadership did not in all instances exercise effective oversight of the effective implementation of audit action plans resulting in the negative audit outcome.
43. Leadership did not institute effective measures to ensure that the issue of incorrect payments being made to suppliers in respect of private leases was adequately resolved.

### **Financial and performance management**

44. Proper record keeping was not always implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
45. Regular, accurate and complete financial and performance reports supported by reliable information were not prepared throughout the financial year.
46. The review and monitoring of compliance with applicable laws and regulations were ineffective in certain instances.

### **Other reports**

47. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the trading entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

## Investigations

48. Numerous allegations, mainly relating to alleged transgressions with regard to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigating Unit. There are currently four active presidential proclamations covering various periods starting from 2003 to 2015.

*Auditor-General*

Pretoria

04 September 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the trading entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trading entity's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting

officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property Management Trading Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the trading entity to cease continuing as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	Note	2017/18 R'000	2016/17* R'000
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	4 805 767	4 712 488
Receivables from non-exchange transactions	4	22	66
Operating lease asset	5	582 154	713 292
Cash and cash equivalents	6	5 967	2 934
		<b>5 393 910</b>	<b>5 428 780</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	120 195 420	119 233 643
Investment property	8	5 454 053	5 552 002
Heritage assets	9	897 824	897 857
Intangible assets	10	23 130	21 619
		<b>126 570 427</b>	<b>125 705 121</b>
<b>Total Assets</b>		<b>131 964 337</b>	<b>131 133 901</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	5	553 790	702 134
Bank overdraft	6	2 338 485	1 932 563
Deferred revenue	11	6 696 888	6 137 955
Payables from exchange transactions	12	3 447 151	3 336 325
Retention liabilities	13	349 680	281 407
Finance lease obligation	14	7 005	8 221
Employee benefit obligation	15	192 571	188 762
Provisions	16	2 075 069	2 097 105
		<b>15 660 639</b>	<b>14 684 472</b>
<b>Non-Current Liabilities</b>			
Retention liabilities	13	52 501	40 620
Finance lease obligation	14	2 938	7 804
		<b>55 439</b>	<b>48 424</b>
<b>Total Liabilities</b>		<b>15 716 078</b>	<b>14 732 896</b>
<b>Net Assets</b>			
Accumulated surplus		<b>116 248 259</b>	<b>116 401 005</b>

\* Restated - See Note 37



**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****STATEMENT OF FINANCIAL PERFORMANCE**

	Note	2017/18 R'000	2016/17* R'000
Revenue from exchange transactions	17	10 418 978	11 383 670
Revenue from non-exchange transactions	18	4 072 695	4 056 989
Construction revenue	19	232 861	261 446
<b>Total revenue</b>		<b>14 724 534</b>	<b>15 702 105</b>
<b>Expenditure</b>			
Construction expenses	19	232 861	261 446
Depreciation, amortisation and impairments on assets	20	2 616 291	2 488 161
Employee related costs	21	1 602 748	1 500 866
Impairment loss on receivables	22	1 083 610	281 847
Interest expense	23	85 081	90 168
Loss on disposal/transfer of assets	24	18 463	155 654
Operating leases	25	4 602 461	4 181 166
Property maintenance (contracted services)	26	2 158 576	3 383 231
Property rates		1 042 236	1 067 488
Sundry operating expenses	27	1 434 953	1 178 948
<b>Total expenditure</b>		<b>14 877 280</b>	<b>14 588 975</b>
<b>(Deficit) surplus for the year</b>		<b>(152 746)</b>	<b>1 113 130</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****STATEMENT OF CHANGES IN NET ASSETS**

	Note	Accumulated surplus R'000
Opening balance as previously reported as at 1 April 2016		129 233 263
<i>Adjustments</i>		
Correction of prior period errors	37	(13 945 388)
<b>Balance at 1 April 2016*</b>		<b>115 287 875</b>
<i>Changes in net assets</i>		
Surplus for the year		1 113 130
Adjustments to surplus due to corrections of prior period errors	37	13 812 871
Total changes		14 926 001
Balance as previously reported as at 31 March 2017		130 213 876
<i>Adjustments</i>		
Correction of prior period errors	37	(13 812 871)
<b>Balance at 1 April 2017*</b>		<b>116 401 005</b>
<i>Changes in net assets</i>		
Surplus for the year		(152 746)
<b>Balance at 31 March 2018</b>		<b>116 248 259</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****CASH FLOW STATEMENT**

	Note	2017/18 R'000	2016/17* R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Accommodation charges - leasehold intergovernmental		4 651 753	4 227 723
Accommodation charges - freehold intergovernmental		6 164 816	6 450 983
Accommodation charges - private		48 492	42 027
Augmentation		3 682 254	3 389 448
Management fee on municipal services		181 285	184 783
Municipal services recovered		3 625 704	3 350 131
Interest, fines, recoveries and other receipts		12 885	8 594
Construction revenue		242 465	259 067
		<b>18 609 654</b>	<b>17 912 756</b>
<b>Payments</b>			
Cleaning and gardening		264 775	252 895
Admin, goods and services		775 963	50 864
Maintenance		2 660 016	2 801 459
Municipal services paid on behalf of clients		4 300 639	4 164 585
Operating leases		4 416 619	4 266 679
Property rates		1 242 621	1 227 927
Compensation of employees		1 589 689	1 366 306
Municipal services expenditure		341 181	356 464
Construction expenses		242 465	259 067
		<b>15 833 968</b>	<b>14 746 246</b>
<b>Net cash flows from operating activities</b>	28	<b>2 775 686</b>	<b>3 166 510</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment		(3 159 495)	(3 617 221)
Additions to investment property		(7 827)	(2 542)
Additions to intangible assets	10	(3 384)	(11 872)
<b>Net cash flows from investing activities</b>		<b>(3 170 706)</b>	<b>(3 631 635)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(17 507)	(12 462)
Finance lease entered into		9 638	12 828
<b>Net cash flows from financing activities</b>		<b>(7 869)</b>	<b>366</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(402 889)</b>	<b>(464 759)</b>
Cash and cash equivalents at the beginning of the year		(1 929 629)	(1 464 870)
<b>Cash and cash equivalents at the end of the year</b>	6	<b>(2 332 518)</b>	<b>(1 929 629)</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
<b>Statement of Financial Performance</b>					
<b>Receipts</b>					
Accommodation charges - leasehold intergovernmental	4 320 462	(28 322)	<b>4 292 140</b>	4 651 753	<b>359 613</b>
Accommodation charges - freehold intergovernmental	7 034 281	(567 763)	<b>6 466 518</b>	6 164 816	<b>(301 702)</b>
Accommodation charges - freehold private	77 604	(27 604)	<b>50 000</b>	48 492	<b>(1 508)</b>
Augmentation	3 758 922	(76 668)	<b>3 682 254</b>	3 682 254	-
Management fees on municipal services	218 379	(33 094)	<b>185 285</b>	181 285	<b>(4 000)</b>
Interest, fines, recoveries and other receipts	20 620	(12 026)	<b>8 594</b>	12 885	<b>4 291</b>
Municipal services recovered	4 367 572	-	<b>4 367 572</b>	3 625 704	<b>(741 868)</b>
Construction revenue	-	296 231	<b>296 231</b>	242 465	<b>(53 766)</b>
	<b>19 797 840</b>	<b>(449 246)</b>	<b>19 348 594</b>	<b>18 609 654</b>	<b>(738 940)</b>
<b>Payments</b>					
Cleaning and gardening	254 852	29 418	<b>284 270</b>	264 775	<b>(19 495)</b>
Admin, goods and services	625 011	(11 827)	<b>613 184</b>	775 963	<b>162 779</b>
Maintenance	2 184 164	127 010	<b>2 311 174</b>	2 660 016	<b>348 842</b>
Municipal services paid on behalf of clients	4 367 572	-	<b>4 367 572</b>	4 300 639	<b>(66 933)</b>
Operating leases (including rent on land)	4 452 192	(28 323)	<b>4 423 869</b>	4 416 619	<b>(7 250)</b>
Property rates	1 341 755	(2 076)	<b>1 339 679</b>	1 242 621	<b>(97 058)</b>
Compensation of employees	1 674 304	(127 705)	<b>1 546 599</b>	1 589 689	<b>43 090</b>
Municipal services expenditure	354 255	1 753	<b>356 008</b>	341 181	<b>(14 827)</b>
Construction expenses	-	296 231	<b>296 231</b>	242 465	<b>(53 766)</b>
	<b>15 254 105</b>	<b>284 481</b>	<b>15 538 586</b>	<b>15 833 968</b>	<b>295 382</b>
<b>Capital movements</b>					
Recoverable capital expenditure	2 565 464	(587 678)	<b>1 977 786</b>	1 713 437	<b>(264 349)</b>
Non-recoverable capital expenditure	1 978 271	(146 049)	<b>1 832 222</b>	1 453 885	<b>(378 337)</b>
Additions to intangible assets	-	-	-	3 384	<b>3 384</b>
Finance lease	-	-	-	7 869	<b>7 869</b>
	<b>4 543 735</b>	<b>(733 727)</b>	<b>3 810 008</b>	<b>3 178 575</b>	<b>(631 433)</b>
<b>Cash deficit</b>	-	-	-	<b>(402 889)</b>	<b>(402 889)</b>

Budget is prepared on a Cash Basis

Refer to note 29 for the reconciliation and explanations of material differences.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB), unless otherwise indicated, and in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand ("R") which is also the functional currency of the Property Management Trading Entity ("PMTE"). Values are rounded to the nearest thousand ("R'000") unless otherwise indicated.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

### 1.1 Significant judgement and sources of estimation uncertainty

#### 1.1.1 Control of immovable assets

The Minister of Public Works is the legal custodian of all immovable assets vested in national government, except in cases where custodial functions were assigned to other ministers by virtue of legislation before the commencement of GIAMA on 1 April 2009. The DPW assigned those functions to the PMTE and by virtue of the transfer of functions that occurred on 18 November 2013, and 30 March 2015, the PMTE controls those assets for accounting purposes. The PMTE benefits from the assets in pursuit of its objectives and regulates the access of others to the benefits of the assets (i.e. the PMTE decides who may benefit from the use of the assets). Custodianship includes the ability to acquire, dispose and maintain the assets.

PMTE monitors state land reflected on the Deeds Register on an on-going basis. Land registered in the name of the national government, that could not be confirmed to be under the custodianship of other national custodians, is recognised by the PMTE. Any changes in ownership is derecognised accordingly. PMTE discloses a contingent asset for properties identified to be under its custodianship where the property could not be reliably measured due to the extent not being determined through the Office of the Surveyor General.

In terms of paragraph 7.37 of the vesting guidelines issued by Department of Rural Development and Land Reform on 30 March 2017, "for any provincial government to claim ownership of vacant land such province should provide proof of intended use. The absence of such proof automatically means that such land vests in the National Government of RSA". PMTE is thus deemed to have control over such land parcels and has currently recognised unvested land parcels.

PMTE recognises immovable assets where the property will vest with the national government based on the principles contained in the approved vesting guidelines.

Whilst properties (land and buildings) as outlined in the Endowment Act 33, of 1922 are disclosed in the financial statements of Department of Defence (DoD), there are a number of extended structures pertaining to such endowment facilities that have "encroached" onto neighbouring land under the custodianship of PMTE. Whilst such structures are reflected as part of endowment properties by DoD, the underlying land is currently reflected in immovable assets by PMTE until such time as it may be transferred to DoD. Control and or access over such land may be restricted given the DoD facilities thereon.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.1 Significant judgement and sources of estimation uncertainty (continued)

### 1.1.2 Assets and liabilities related to the transfer of functions

For initial measurement purposes, assets acquired through the transfer of functions are measured at their carrying amounts as per the records of the DPW. Where those carrying amounts do not represent GRAP compliant amounts, the carrying amounts were estimated using various measurement bases, depending on the type of asset or liability. For purpose of determining a deemed cost, immovable assets transferred were valued using either the municipal valuations, comparable sales value or depreciated replacement cost. For movable assets a depreciated replacement cost was used. Financial assets and liabilities at fair value was used and other liabilities were transferred at the best estimate at the date of transfer. The DPW transferred functions on two separate occasions, effective 1 April 2013 and 1 April 2014 respectively. For further details refer to note 1.28.

### 1.1.3 Useful life and residual values

The estimated useful lives of property, plant and equipment, investment property and intangible assets are assessed annually and is dependent on the condition of the assets. Management applies judgement in assessing the condition of the assets. The residual values are estimated to be zero as the PMTE will be utilising these assets over their entire economic life, unless clear evidence exists to the contrary.

Refer to note 1.6 for the accounting policies on estimated useful lives for property, plant and equipment, note 1.7 for investment property and note 1.9 for intangible assets.

### 1.1.4 Classification of accommodation charges as lease revenue

As the intention of the PMTE is to provide accommodation at values that are directly equal to the value of the service being delivered, the PMTE categorises all accommodation charges, with the exception of prestige accommodation, as revenue from exchange transactions, notwithstanding the fact that this revenue may or may not equal the value of the service delivered.

The amount for prestige accommodation is determined in accordance with the ministerial handbook. The ministerial handbook allows for the ministers to stay free of charge in the first property provided to him or her. For the second property, the ministerial handbook requires the minister to be charged a percentage of his or her salary as a rental fee. This rental fee does not approximate the value of the service provided to the prestige clients. Therefore, the receivable is classified as a statutory receivable and the revenue is classified as a non-exchange transaction.

### 1.1.5 Classification and measurement of leases

Management uses judgement to determine if a lease is classified as an operating or a finance lease. Management's judgement is based on whether risks and rewards incidental to ownership have been transferred.

Cognisance has been taken of the fact that client departments generally extend the period for which they lease premises through the PMTE where these properties are rented from the private sector. It is difficult to conclude that it is certain that the PMTE (as lessee) will always extend the lease term of leasehold property at inception of the lease because of the general occupation trend of its client departments. Taking everything into consideration, management is of the opinion that the risk and rewards incidental to ownership is not transferred during the lease term from either the lessee's or the lessor's perspective.

The same terms and conditions included in the underlying lease agreements with the landlord is used to determine the relevant presentation for lease-out arrangements.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.1 Significant judgement and sources of estimation uncertainty (continued)

##### 1.1.5 Classification and measurement of leases (continued)

The PMTE considers leases to be month-to-month leases when the underlying lease agreements on leasehold properties have expired and the asset is still being utilised by the client department.

As the lease terms and conditions are not determinable for month-to-month leases and freehold inter-governmental accommodation, no systematic basis can be used to recognise the lease revenue that would be representative of the time pattern which benefit derived from the lease asset.

##### 1.1.6 Provision for unplanned maintenance

During 2017/18 management developed a model to determine the amount due to suppliers for work performed when job cards are outstanding or the value of the service has not been confirmed. The model is based on historical trends and costing data. The base line data is determined on actual information for payments made during 2016. For the purpose of determining the average time and price of the service to be rendered, management stratified the data of calls logged and payments made between the severity and nature of the incident. The average price is adjusted for the effect of inflation on an annual basis. The actual amounts due, on an individual basis, may differ significantly from the provision made. The model was applied for the 2016/17 and 2017/18 provision.

##### 1.1.7 Impairment

###### Impairment of receivables measured at cost or amortised costs

The full voted funds for accommodation from client departments are allocated to the PMTE and are due within 30 days from invoice date. If client departments do not pay within 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients which have defaulted, management made judgements based on history to determine if the receivable/group of receivables have to be impaired. Should the financial condition of the client change, actual write-offs could differ significantly from the impairment losses recognised.

The current year impairment is based on management's best estimate of the expected cash flows for amounts that are outstanding for longer than the normal payment terms discounted at the current rate applicable to debts owed to the state. Where management cannot determine the future payment date, management discounts from invoice date for 12 months after year-end.

The discount rate used for impairment purposes is not adjusted for the different classes of receivables as the majority of the debt is with government institutions.

###### Impairment of non-current assets

The PMTE uses the Depreciated Replacement Cost method for measuring the impairment of majority of the immovable assets. The Depreciated Replacement Cost is based on the current building indices factoring in the current condition rating assessed.

Assets under construction are considered for impairment when the project is cancelled, halted or delayed. Movable asset is considered for impairment when the asset is no longer used, physically damaged or there is a significant change in the condition of the asset.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.1 Significant judgement and sources of estimation uncertainty (continued)

##### 1.1.8 Significantly delayed projects

Projects are regarded as 'significantly delayed' when a project has been delayed by more than 50% of the planned project period.

Projects are regarded as technically delayed, for financial statement disclosure purposes, when the project has not yet reached practical completion status at reporting date and the 'planned project period' has expired before the reporting date.

Projects that are 'Completed', 'Cancelled' or in the 'Planning and Design stage' are excluded from the population for the purpose of the 'significantly delayed' disclosures.

##### 1.1.9 Classification of immovable assets

Judgement is applied when classifying immovable assets between property, plant and equipment, investment property and heritage assets. Consideration is given to the type of property, the purpose for which the property is held by national department, and the occupant. The main factor considered is whether PMTE holds the asset either for service delivery (in accordance with government objective), resulting in property, plant and equipment, or for capital appreciation and/or earning or rentals, resulting in investment property, or for future generations resulting in heritage assets. Where state property is rented out to another government entity or public service employees to provide cost effective accommodation services or for social services, these properties are classified as property, plant and equipment rather than investment property as the PMTE holds these assets to deliver on its mandate rather than to earn rentals or capital appreciation.

The Standard of GRAP on Investment Properties (GRAP 16) requires undeveloped land, for which no purpose has been determined, to be classified as investment property. However, where the land is acquired for strategic purposes, the land is to be classified as property, plant and equipment. In considering the classification of undeveloped land, the PMTE considers how it acquired the land and whether the land is being used. Where the land was acquired through expropriation or a result of legislation, the PMTE classifies the land as property, plant and equipment rather than investment property, as it is assumed to be acquired for strategic purposes in accordance with government's policies and aims.

PMTE determines the intended use of a facility by evaluating the characteristics of the facility against the criteria for Investment Property. The criteria for Investment Property are as follows

- The current occupant (lessee) is not an organ of state; and
- Future occupants of the facility will most probably not be an organ of state; and
- There is no intention for the facility to be occupied in future by an organ of state for the production or supply of goods or services, for administrative purposes or for executing its mandate; and/or
- The facility is held in its entirety, for long-term/future capital appreciation rather than for short-term sale in the ordinary course of operations; or
- The facility is specifically earmarked as Investment Property (i.e. for rental occupants that are not organs of state; or for development with the sole intention to be leased to occupants that are not organs of state, or capital appreciation); and /or
- A vacant building / facility is held to be leased out under one or more operating leases on a commercial basis to external parties; or
- The intended use is of a dual nature/purpose. A facility will only be classified as Investment Property if the main purpose and most significant use of the facility is to earn rentals or capital appreciation; or
- The facility is being constructed or developed for future use as investment property.



## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 1.1 Significant judgement and sources of estimation uncertainty (continued)

#### 1.1.9 Classification of immovable assets (continued)

Heritage assets may be used for administrative purposes. Management used judgement to determine whether a significant portion of the heritage asset is utilised for office accommodation. If a significant portion of the heritage asset is utilised for administrative purposes, the asset is classified as property, plant and equipment under the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17).

For purposes of classifying these non-financial assets, that are subject to impairment, either as cash-generating or non-cash generating, PMTE applied the following criteria:

- The purpose for which the asset is held
- The intention to earn commercial (profit-making) return on the property
- The ability to earn commercial return on the property
- The restrictions on the use of the property by PMTE.

The PMTE, as a trading entity of the DPW, is accountable for these assets and needs to maintain these assets on behalf of national government. It cannot use these assets for any other purpose than to deliver on its mandate (consistent with GIAMA and the PFMA). The PMTE has to provide accommodation to other departments and to enable them to deliver on their mandates. Where the PMTE does ask market related rent on property that is not utilised by other departments, it is not considered material and therefore all non-financial assets have been classified as non-cash generating for impairment purposes.

#### 1.1.10 Principal versus agent relationship

The PMTE's mandate is to manage the accommodation and infrastructure needs of national departments. Should the PMTE be unable to satisfy the accommodation needs of a particular client department through the use of State-owned property, the PMTE would lease the required property from a private landlord, on behalf of the client department, and for their beneficial occupation. Consideration was given as to whether the PMTE is acting as an agent on behalf of the client departments, as a result of carrying out these activities.

Management, however, is of the opinion that the decision making ability, the accountability, the credit risk and the value added processes all rest with the PMTE. This indicates that the PMTE is the principal with regards to the lease arrangement with the respective landlords.

Client departments occupying properties are liable for the municipal services charges incurred in utilising those properties. The PMTE offers a service of paying the municipal service charges on behalf of the client departments and then recovering those costs directly from the client department. For this service, the PMTE charges a 5% management fee which is invoiced and recovered from the client department. The PMTE is acting as an agent with regards to the payment and recovery of these municipal service charges. The management fee for rendering this service is recognised as revenue for the PMTE.

#### 1.1.11 Related party disclosure

The Standard of GRAP on Related Party disclosures (GRAP 20) provides exemption from detailed disclosures where those transactions are on:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the PMTE to have adopted, if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by our mandate.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 1.1 Significant judgement and sources of estimation uncertainty (continued)

#### 1.1.11 Related party disclosure (continued)

In the absence of a pricing strategy for leases, judgement was made to determine the disclosures around related party transactions based on the nature of the transactions and the associated terms. In addition, many services have been rendered in-kind to the PMTE stemming from its relationship with the DPW. Due to the nature of these transactions, where amounts could not be measured reliably, only a narrative disclosure was made. This is in line with the principle in the Standard of GRAP on Revenue from Non-exchange Transactions (GRAP 23) to not recognise certain services-in-kind where it cannot be measured reliably. It is difficult to measure the value of these services and they are usually consumed within the period. Where amounts could be reliably measured, these have been recognised.

### 1.2 Receivables from exchange transactions

Receivables from exchange transactions are recognised when exchange revenue is due to the PMTE through legislation (statutory receivables) or in accordance with an agreement (financial assets). Refer to note 1.15 and 1.16 respectively.

### 1.3 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when non-exchange revenue is due to the PMTE through legislation (statutory receivables) or in accordance with an agreement (financial assets). Refer to note 1.15 and 1.16 respectively.

### 1.4 Leases

The PMTE classifies lease agreements in accordance with risks and rewards incidental to ownership. Where the lessor transfers substantially all the risks and rewards to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

#### Finance leases - PMTE as a lessee

Where the PMTE has assessed itself to be a lessee to a finance lease arrangement, it recognises a finance lease liability and a related leasehold asset, which would be disclosed as part of property, plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The PMTE recognises finance lease liabilities resulting from finance leases as a liability on the Statement of Financial Position. Minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. Such liabilities are presented as a payable at an amount equal to the net obligation of the lease. Interest expense is recognised based on the interest rate implicit in the finance lease. Where the fair value of the assets are not available to determine the implicit interest rate in the lease, the PMTE uses the rate applicable to debt owed by the state. The liability is recognised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

#### Operating leases - PMTE as a lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being re-negotiated. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Lease revenue is presented as accommodation charges in the Statement of Financial Performance and notes to the financial statements.

The PMTE recognised month-to-month leases as revenue from exchange transactions as and when the revenue is due.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.4 Leases (continued)

### Operating leases - PMTE as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month; except where the terms and conditions have not been determined or are in the process of being renegotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

The asset and the liability in the Statement of Financial Position are initially recognised at amounts equal to the fair value of the leased property or if lower, the present value of the minimum lease payments. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## 1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 6).

## 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, strategic or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, except for assets under construction, land and heritage assets. These are subsequently measured at cost less accumulated impairment losses.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Major inspection costs which are a condition of the continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Heritage assets assessed as having a dual function of being a heritage asset and providing accommodation services are recognised as property, plant and equipment, if a significant portion of the heritage asset is utilised for office accommodation. Refer to note 1.8 for the accounting policy for other heritage assets.

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1.6 Property, plant and equipment (continued)

With the exception of assets acquired through the transfer of functions under common control which is measured at deemed cost as the carrying value at the date of transfer, where property, plant and equipment is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic or service potential benefit associated with that item will flow to the PMTE and the cost thereof can be reliably measured.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These components are depreciated separately.

Depreciation is calculated on a straight-line basis over the expected useful lives of each item. Depreciation is charged to the surplus or deficit, unless it is included in the carrying amount of another asset. Depreciation commences on an asset when it is in the condition necessary for it to be capable of operating in a manner intended by management.

Assets under construction are ready for their intended use once a completion certificate or occupational certificate has been issued. At this point depreciation will commence.

If a component is replaced, the carrying amount of the existing component is derecognised and the value of the new component is recognised.

The useful life, depreciation method and a residual value for property, plant and equipment are reviewed annually. Any changes are recognised as a change in accounting estimates and included in depreciation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings and improvements (including components)	
• Low rise buildings (up to 4 floors)	12 - 50 years
• High rise buildings (more than 4 floors)	40 - 80 years
• Warehouse / garage / storerooms	40 - 60 years
• Prisons	100 years
• Barracks	12 - 50 years
• Dwellings	40 - 60 years
• Roads, harbours and mines	12 - 35 years
• Boundary fences on vacant land	15 years
• Water and other infrastructure	20 - 60 years
• Airport runways	40 - 60 years
• Dams and reservoirs	100 years
• Other	12 - 50 years
Land	indefinite useful lives
Furniture and office equipment	5 - 15 years
Vehicles	5 - 10 years
Computer equipment	3 - 15 years
Other machinery and equipment	10 - 30 years

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.6 Property, plant and equipment (continued)

The PMTE assesses annually at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the PMTE estimates the recoverable service amount or recoverable amount for non-cash generating and cash generating assets respectively. An impairment loss is recognised where the carrying amount exceeds the asset's recoverable service amount or recoverable amount as applicable.

The PMTE assesses annually at each reporting date whether there is any indication that an impairment loss recognised in prior period for an asset may no longer exist or may have decreased. If such indication exists, the PMTE estimates the recoverable service amount or recoverable amount of that asset. Any impairment loss recognised in prior periods for an asset is only reversed if there has been a change in the estimated use to determine the asset's recoverable service amount since the last impairment loss was recognised. Reversals of impairment is limited to the carrying amount of the asset had no impairment been recognised for the asset in prior periods.

Impairment losses and reversals of impairment losses are recognised in the surplus or deficit in the period in which the event occurs.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction of the State and Land Disposal Act (Act No. 48 of 1961).

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost, including transaction costs. Investment property is subsequently carried at cost less accumulated depreciation and any accumulated impairment losses, except for land. Land is not depreciated.

With the exception of assets acquired through a transfer of functions under common control which is measured at carrying amount, where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

#### Cost model

Depreciation is calculated on a straight line basis over the expected useful lives of each item. Depreciation is charged to surplus or deficit. Depreciation commences on assets when they are in the condition necessary for them to be capable of operating in the manner intended by management. Depreciation ceases when the asset is disposed.

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.7 Investment property (continued)

Item	Useful life
Buildings and improvements	12 - 100 years
Land	Indefinite

Refer to note 1.6 for a detailed breakdown of the useful lives of the building and improvements.

Assets under construction are ready for their intended use once a completion certificate or occupational certificate has been issued. At this point depreciation will commence.

The useful life, depreciation method and residual value for investment property are reviewed annually. Any changes are recognised prospectively as changes in accounting estimates in surplus or deficit.

Impairment and reversals of impairment are recognised in surplus or deficit in the period in which the event occurs.

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction in the State and Land Disposal Act (Act No. 48 of 1961).

Items of investment property assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses on the derecognition of investment properties, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

#### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

##### Recognition

The PMTE recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the PMTE, and the cost or fair value of the asset can be measured reliably.

##### Initial measurement

Heritage assets are measured at cost.

With the exception of assets acquired through the transfer of functions under common control which is measured at carrying amount, where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Heritage assets assessed as having a dual function, of which a significant portion is held for the provision of accommodation or administrative purposes, are recognised and disclosed as property, plant and equipment.

The cost of an item of heritage assets is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Heritage assets that cannot be reliably measured are not recognised, but relevant information about these assets are disclosed in the notes, if applicable. Any costs incurred subsequently shall be recognised in surplus or deficit as incurred.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.8 Heritage assets (continued)

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Heritage assets are not depreciated as they are regarded as having an indefinite useful life but are annually assessed for impairment. If any such indication exists, the PMTE estimates the recoverable amount or the recoverable service amount of the heritage asset.

### Impairment

An impairment loss is recognised where the carrying amount exceeds the recoverable service amount for non-cash generating assets. Impairment losses and reversals of impairment are recognised in surplus or deficit in the period when the event occurs.

### Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

## 1.9 Intangible assets

The PMTE recognises intangible assets when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where the PMTE acquires the rights to use an asset, other than exercising its rights through legislation, it classifies these as intangible assets.

With the exception of assets acquired through the transfer of functions under common control which is measured at carrying amount, where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period, the amortisation method and the residual values of the intangible assets with finite useful lives are reviewed annually. Intangible assets with indefinite useful lives are tested annually for impairment. Any changes are recognised as a change in accounting estimate in the included in amortisation.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of the intangible assets, unless such useful lives are indefinite. Amortisation commences on the asset when they are in the condition necessary for them to be capable of operating in a manner intended by management.

## PROPERTY MANAGEMENT TRADING ENTITY

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.9 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Items of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Impairments and reversals of impairments are recognised in surplus or deficit in the period that the event occurs. Losses or gains on impairments and impairment reversals are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

## 1.10 Payables from exchange transactions

The PMTE recognises payables from exchange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the outflow is expected to be cash or another financial asset, the payable is classified as a financial liability.

The PMTE recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

## 1.11 Employee benefits

### Short-term employee benefits

The PMTE recognises an undiscounted amount of short-term benefits due to employees in exchange for the rendering of services by employees as follows:

- As a liability in cases where the amounts have not yet been paid.
- Where the amount paid exceeds the undiscounted amount of the benefits due, the PMTE recognises the excess as an asset to the extent that the overpayment will lead to a reduction of future payments or a cash refund.
- As an expense, unless the PMTE uses the services of employees in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the cost of the related property, plant and equipment, investment property or intangible asset item.

### Leave benefits

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of compensated absences (paid leave) when the employees render services that increase their entitlement to leave benefits.

The expected cost of accumulating leave benefits is measured as the additional amount that the PMTE expects to incur as a result of the unused entitlement that has accumulated at the reporting date.



## PROPERTY MANAGEMENT TRADING ENTITY

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.11 Employee benefits (continued)

### Performance and service bonuses

The PMTE recognises the expected cost of performance or service bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made. A liability for service bonus is accrued on a proportionate basis as services are rendered. A liability for performance bonus, which is based on the employee's performance in the applicable year, is raised on the estimated amount payable in terms of the incentive schemes. The PMTE considers the present obligation to exist when it has no realistic alternative but to make the payments related to performance bonuses.

### Retirement and medical benefits

Payments to defined contribution plans are charged as an expense to employee related costs in surplus or deficit in the same year as the related services is provided. Once the contributions are paid, the PMTE has no further payment obligations.

### Long service awards

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of long service awards, when the employees render services for a period that entitles them to long service award benefits as prescribed by DPSA policies.

## 1.12 Retention liabilities

A retention liability is recognised as a financial liability where monies due to a contractor are withheld for a set period of time during which the PMTE has an enforceable right to have defects remedied by the contractor. The measurement of the retention liability is the same as payables from exchange transactions which have been classified as financial liabilities. The liability is derecognised when the liability is settled or when the contractor defaults and is not entitled to settlement.

## 1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date, discounted to present value where the time value of money is expected to be material.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an out flow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions where the timing of the outflow is uncertain are classified as current liabilities.

Contingent assets are disclosed where the PMTE has a possible inflow of resources but the inflow did not meet the recognition criteria of an asset. Contingent liabilities are disclosed where a liability is subject to an uncertain event or the outflow is only assessed to be possible.

Contingent assets and contingent liabilities have been based on the best estimate available at the time of preparing the financial statements.

**Annual Financial Statements for the year ended 31 March 2018**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**1.13 Provisions and contingencies (continued)**

Contingent liabilities relating to litigations have been based on the assessment of the estimated claim against the PMTE as at the end of the reporting period. Contingent liabilities on retentions, leases, unscheduled maintenance and municipal rates and services are based on management's calculations of the possible inflows/outflows expected but are subject to consultation with respective third parties to determine the amount to be settled.

**1.14 Reserves**

The PMTE's reserves are made up of accumulated surplus.

Accumulated surplus is mainly built up to ensure adequate rehabilitation and maintenance of state owned infrastructure and future infrastructure development.

**1.15 Statutory receivables and payables**

**Classification, recognition and measurement**

Statutory receivables and payables arise from the right to receive cash or make payments in terms of legislative requirements. The PMTE will recognise receivables when it obtains the right to receive assets in terms of legislation, at the amount determined in the legislation (i.e. transaction price), which is the fair value at initial recognition. Thereafter the receivable will be assessed for impairment.

Payables arising from legislative requirements are measured at the amount determined in legislation (i.e. transaction price).

Statutory receivables and payables are not discounted.

**Impairment of receivables measured at cost**

At each end of the reporting period, the PMTE assesses all receivables to determine whether there is objective evidence that the asset or group of assets have been impaired. The inability to redeem amounts due based on the payment history is considered to be indicators of impairment.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows, excluding future credit losses that have not been incurred. Impairment loss on receivables is impaired directly to the receivables. Receivables at cost are discounted at a risk free rate adjusted for the risk associated with the debt. Impairment losses are recognised in surplus or deficit as expenses.

Impairment losses are reversed when an increase in the receivable's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed the carrying amount that would have been recognised had the impairment not been recognised. The amount of the reversal is recognised in surplus or deficit.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 1.16 Financial instruments

### Classification, recognition and measurement

The PMTE recognises a financial asset or a financial liability in its statement of financial position when the PMTE becomes a party to the contractual provisions of the instrument.

The PMTE recognises financial assets using trade date accounting.

The PMTE does not offset a financial asset and a financial liability unless a legally enforceable right to offset the recognised amounts currently exists and the PMTE intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest relating to a financial instrument or a component of a financial instrument is recognised as revenue or expense in surplus or deficit.

The PMTE's financial instruments consists only of cash and cash equivalents, including the bank overdraft and non-derivative instruments such as leases, receivables and payables with no or minimal transaction costs.

All financial instruments are initially measured at fair value and subsequently amortised cost using the effective interest method, except for leases (refer to note 1.4).

Transaction costs in respect of financial instruments which are not at fair value through surplus or deficit are included in the initial measurement of the instrument.

Interest is charged on debt outstanding exceeding the normal credit terms at the rate applicable of debt owed to the State, except for debt owed by government institutions.

The effect of payment for short term receivables outstanding for longer than the 30 days is considered during the impairment assessment.

### Impairment of assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial or non-financial asset or group of assets are impaired.

#### *Financial assets measured at amortised cost*

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). Impairment loss on receivables is accounted for directly to the receivables. Financial assets at amortised cost are discounted to the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly to the receivable. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date of reversal. The amount of the reversal is recognised in surplus or deficit.

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 1.16 Financial instruments (continued)

#### *Non-financial assets measured at cost*

Where the carrying amount of a non-financial asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit. In assessing the value in use, the PMTE has adopted the depreciated replacement cost approach.

For further details regarding impairment of property, plant and equipment, investment property, heritage assets and intangible assets, refer to note 1.6.

#### **Derecognition**

##### *Financial assets*

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

##### *Financial liabilities*

The entity derecognises a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on *Revenue from Non-exchange Transactions*.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.17 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue earned from accommodation charges is classified as lease revenue (refer to note 1.4 for further details on recognition and measurement of lease revenue). Accommodation charges are measured based on:

- the cost of leasing in (in the case where property is leased in from the private sector);
- the budget devolution as agreed upon with the client departments (in the case of state owned accommodation leased to client departments); or
- the market related rental (in the case of state owned accommodation leased to the private sector and individuals).

Accommodation charges disclosed in the financial statements consists of:

- Leasehold inter-governmental, which refers to lease revenue earned from assets which are owned by the private sector, which is then sub-leased to client departments;
- Freehold inter-governmental, which refers to lease revenue from state owned assets leased to client departments; and
- Freehold private, which refers to lease revenue from state owned assets leased to the private sector and individuals

Revenue from construction contracts is classified as revenue from exchange transactions and recognised by reference to the stage of completion of the contract when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, construction revenue is recognised to the extent of contract costs incurred that are likely to be recoverable in the period in which they are incurred. An expected loss on a contract is recognised immediately in the surplus or deficit in the period in which it was incurred. Refer to note 1.20 for further details.

Interest is recognised, in surplus or deficit, using the effective interest rate method. Interest is inter alia earned on advances provided on projects conducted by implementing agents and freehold private leases.

The PMTE pays municipal services on behalf of the client departments and earns 5% management fee on the value of the invoice. The management fee earned is recognised as revenue from exchange transactions in the surplus or deficit. Any amounts owed or overpaid on the management fee is recognised either as a receivable or payable from the exchange transactions as appropriate.

Other revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Revenue will be recognised in the surplus or deficit when it becomes due to the PMTE. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebate.

#### 1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

The PMTE recognises the inflow of resources from a non-exchange transaction as revenue when it controls the asset, except in cases where a liability or equity is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions until the conditions relating to the revenue has been satisfied. Revenue from non-exchange transactions is measured initially at fair value.

Transfer payments received from the DPW in order to fund operations and manage properties under the custodianship of DPW, are referred to as augmentation and is classified as revenue from non-exchange transactions.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.18 Revenue from non-exchange transactions (continued)

Revenue earned from freehold prestige accommodation charges is classified as lease revenue. Freehold prestige accommodation charges are recognised based on the reduced market related rental as per the ministerial handbook.

Where services are received in-kind and a reliable estimate can be made, the PMTE recognises the related revenue. In all other cases, the PMTE only discloses the nature of the transactions.

#### 1.19 Expenditure

Expenditure is classified in accordance with the nature of the expenditure.

The PMTE recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates to a decrease in an asset or an increase in a liability, other than those relating to distributions to owners.

The PMTE recognises expenses immediately in surplus or deficit when no future economic benefits or service potential are expected or when and to the extent that, future economic benefits or service potential do not qualify or cease to qualify for recognition as an asset in the Statement of Financial Position.

The PMTE also recognises expenses in surplus or deficit in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Interest expense is recognised as an expense in surplus or deficit in the period in which they are incurred, using the effective interest method.

#### 1.20 Construction contracts and receivables

Expenditure incurred in capital construction projects are classified as construction costs and recognised in the Statement of Financial Performance when the amount is recoverable based on the work completed. The revenue is recovered on a full cost recovery basis. The related receivable is recognised when the amount becomes recoverable.

#### 1.21 Irregular, Fruitless and wasteful expenditure

Irregular, fruitless and wasteful expenditure, as defined by the PFMA, and material losses through criminal conduct is recognised as expenditure in the surplus or deficit according to the nature of the payment and disclosed separately in notes 31 and 32. When the amount is subsequently recoverable, it is recognised as revenue in surplus or deficit. Any receivables recognised as a result of Irregular, fruitless and wasteful expenditure or material losses through criminal conduct, are subject to an annual impairment assessment.

#### 1.22 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced, by management in their dealings with the entity.

Only transactions with related parties not at arms' length or not in the ordinary course of business are disclosed in note 35. Movable assets that have not been transferred specifically to the PMTE are not recognised by the PMTE but are recorded by the DPW.

Management of the PMTE is defined as being individuals with the responsibility for planning, directing and controlling the activities of the entity. Key management officials are the Minister, the Minister's advisor, members of the Executive Committee (EXCO), chairpersons of significant committees, head of units and Regional Managers. Where the remuneration of management is not accounted for by the PMTE (as included in note 35), the remuneration is not included in the disclosure. This includes the remuneration of the Chief Financial Officer, the Director-General and the Minister of Public Works.

## **PROPERTY MANAGEMENT TRADING ENTITY**

### **Annual Financial Statements for the year ended 31 March 2018**

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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### **1.23 Budget information**

The PMTE presents a comparison of budget amounts and actual amounts as a separate additional financial statement. The approved and final budget amounts are prepared on a modified cash basis. The budget is prepared based on the nature of the revenue and the expenditure. The actual amounts (prepared on an accrual basis) are adjusted for basis differences for comparability purposes.

The PMTE budgets for revenue including the transfer payment received through the DPW. The PMTE budget is part of the overall DPW vote.

### **1.24 Commitments**

Items are classified as commitments when the PMTE has committed itself to future transactions that will normally result in the outflow of cash. The current year's estimates are based on unrecognised capital and maintenance expenditure which has been approved and either contracted for or an order has been issued to the supplier relating to immovable assets.

See Notes 7, 8, 9, 10 for additional disclosure. The PMTE also manages other projects on behalf of client departments which are not in respect of the PMTE's immovable assets. These agency commitments have been disclosed in note 34.

### **1.25 Going concern assumption**

These annual financial statements have been prepared on the going concern basis. Although the PMTE has a bank overdraft of R2,3 billion (2017: R1,9 billion) and the current liabilities exceed the current assets by R10,3 billion (2017: R9,3 billion), management maintains their assertion that the PMTE is able to continue on a going concern basis into the foreseeable future. It should be noted that included in the current liabilities is a non-cash liability, Deferred Revenue of R7 billion (2017: R6 billion). Management applies the accounting principles of conservatism and prudence when accounting for its liabilities. The PMTE operates under the control and support of the National Department of Public Works ("DPW").

National Treasury has been informed of the PMTE's position accordingly. Management is embarking on a revenue generating drive and has reinforced its efforts in collection of all outstanding debts. The main reason for the increase in the bank overdraft was due to the increase in the amounts owed by client departments. Management has engaged in robust discussions with the relevant departments and National Treasury to resolve the issues around non-payment and to ensure payment is received on outstanding amounts. Subsequent to year-end R 838 million was received relating to these outstanding debts.

### **1.26 Comparative figures**

Comparative figures have been adjusted to correct errors identified in the current year but relating to prior years. The effect of the restatements is disclosed in note 37.

### **1.27 Deferred revenue**

The PMTE recognises in payables an amount for deferred revenue where the leasing revenue (accommodation charges - freehold inter-governmental) recognised from client departments is deferred until the project is ready for use and capitalised under immovable assets.

### **1.28 Transfer of functions between entities under common control**

The transfer of functions from entities under common control are accounted for by the PMTE by recognising the assets acquired and liabilities assumed at the carrying amount measured in accordance with the Standards of GRAP. The difference between the assets and liabilities is recognised in accumulated surplus or deficit.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 1.28 Transfer of functions between entities under common control (continued)

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 November 2013:

- Asset Investment Management
- Property Management
- Facilities Management
- Key Account Management
- Regional Finance Units

The transitional provisions for the recognition and measurement of this transfer expired on 31 March 2017.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 30 March 2015:

- Inner City Regeneration
- Projects and Professional services
- Regional co-ordination
- Supply Chain Management
- Regional support and Regional Managers

Full compliance relating to the recognition and measurement of the above transfer is required by the 31 March 2018. The impact of the restatement on the provisional amount arising from the transfer of function was immaterial.



## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 2. Standards of GRAP issued but not yet effective

### 2.1 Standards utilised in developing accounting policies and disclosure (with limited impact)

The PMTE has utilised the principles of the Standards of GRAP listed below in disclosing and accounting for relevant transactions. As a result, there will be limited impact on the financial statements when the Standards become effective.

*Standard/ Interpretation:*

- Related Parties (GRAP 20)
- Transfer of functions under common control (GRAP 105)
- Statutory receivables (GRAP 108)

### 2.2 Standards not yet effective (with possible extended impact)

The PMTE has not applied the standards below which have been approved but not yet effective. The adoption of this Standard is not expected to have an impact on the results of the PMTE, but may result in more disclosure than is currently provided in the financial statements.

*Standard/ Interpretation:*

- Accounting by Principals and Agents (GRAP 109)
- Segment reporting (GRAP 18)

Segment reporting (GRAP 18) becomes effective on 1 April 2019.

### 2.3 Standards not yet effective (with no impact)

The standards and interpretations listed below have been approved but are not yet effective. It is unlikely that the above standards, interpretations and/or amendments will have a material impact on the financial statements of the PMTE once they become effective, as the PMTE does not engage in transactions within the scope of these standards.

*Standard/ Interpretation:*

- Mergers (GRAP 107)
- Transfer of function of entities not under common control (GRAP 106)
- Service concession arrangements: Grantor
- Service concession arrangements where a grant or controls a significant residual value in an asset

It is unlikely that the above Standards, interpretations and/or amendments will have a material impact on the financial statements of the PMTE once they become effective, as the PMTE does not engage in transactions within the scope of these Standards.

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****3. Receivables from exchange transactions**

	2017/18	2016/17*
	R'000	R'000
<b>Financial assets</b>		
Accommodation debtors - leasehold inter-governmental	335 906	506 029
Accommodation debtors - freehold inter-governmental debtors	648 639	613 255
Accommodation debtors - freehold private	21 996	29 171
Municipal services	499 508	423 202
Debt account	36 582	5 040
Revenue accrual - recoverable leases	401 759	352 801
Revenue accrual - recoverable municipal services	965 085	859 902
Revenue accrual - recoverable projects	384 860	437 248
Municipal deposits	17 032	15 758
Other debtors	1 851	1 385
Recoverable property rates	-	-
	<b>3 313 218</b>	<b>3 243 791</b>
<b>Non-financial assets</b>		
Prepaid expenses - implementing agents	305 936	247 452
Prepaid expenses - leases	428 856	405 740
Prepaid expenses - other	604	70
Prepaid expenses - municipal services	22 224	155 799
Prepaid expenses - municipal services and property rates (backlog)	428 663	372 126
Prepaid expenses - property rates	278 479	261 826
Creditors with debit balances	27 787	25 684
	<b>1 492 549</b>	<b>1 468 697</b>
<b>Total receivables from exchange transactions</b>	<b>4 805 767</b>	<b>4 712 488</b>

The applicable interest rate for outstanding freehold private receivables and debt account receivables for the period is 10.25% (2017: 10.50%).

Revenue accruals relates to services rendered to our clients but not yet invoiced.

Included in the prepaid expenses are contractual advances to other government entities which are implementing agents of the PMTE. Interest earned on these advances is included in implementing agents under financial assets above at an average effective interest rate of 5.50% (2017: 5.75%).

**Receivables past due but not impaired**

All receivables past due were considered for impairments. Refer to note 22 for impairment loss incurred during the period for receivables from exchange transactions.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****3. Receivables from exchange transactions (continued)****Individually significant receivables that are impaired**

Individually significant receivables are identified if the specific receivable's outstanding balance exceeds 5% of the total outstanding balance for the class of receivable. The factors to identify impairment are similar to the group assessment for impairment. The analysis below shows the total accumulated impairment from individually significant receivables, as a percentage of the gross receivable balance per class of receivable:

	2017/18	2016/17
	%	%
Accommodation debtors - freehold inter-governmental debtors	39	32
Accommodation debtors - leasehold inter-governmental	51	36
Accommodation debtors - freehold private	26	24
Municipal services	87	74
Debt account	78	64
Recoverable property rates	100	100

**4. Receivables from non-exchange transactions**

	2017/18	2016/17
	R'000	R'000
Accommodation debtors - free hold prestige	22	66

Certain properties are leased to prestige clients. According to the ministerial handbook, prestige officials receive one state owned residence at no charge. If available, prestige officials may occupy a second state owned residence which is charged at a reduced rental as prescribed.

**Receivables from non-exchange transactions past due but not impaired**

There were no receivables past due that were not impaired. Refer to note 22 for impairment loss incurred during the period for receivables from exchange transactions

**5. Operating lease asset/(liabilities)**

	Note	2017/18	2016/17
		R'000	R'000
Current assets (PMTE as lessor)	5.1	582 154	713 292
Current liabilities (PMTE as lessee)	5.2	(553 790)	(702 134)
		<b>28 364</b>	<b>11 158</b>

**5.1 Total operating lease asset - PMTE as lessor**

Leasehold inter-governmental	552 920	675 729
Freehold private	29 234	37 563
	<b>582 154</b>	<b>713 292</b>

**Total minimum lease receipts - PMTE as lessor**

Within one year	2 119 493	2 368 183
In second to fifth year inclusive	2 121 068	3 627 061
Later than five years	215 350	352 755
	<b>4 455 911</b>	<b>6 347 999</b>

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 5. Operating lease asset/(liabilities) (continued)

##### 5.1 Total operating lease asset - PMTE as lessor (continued)

###### *Leasehold inter-governmental*

Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, is based on the contractually agreed upon notice period. The said amounts have been included in the "within one year" ageing bracket.

The inter-governmental operating leases are sub-lease agreements with various client departments and are on the same terms as those applicable to the lease agreements entered into with the landlords on leasehold property. As a result of the month-to-month and open-ended leasehold commitments included in note below, the equal and opposite amount is included in the PMTE leases above.

###### *Freehold private*

The disclosure of the minimum lease payments above relates to state owned properties that are leased out to private parties (accommodation debtor - freehold private).

##### 5.2 Total operating lease liabilities - PMTE as lessee

	2017/18	2016/17*
	R'000	R'000
Operating lease liabilities - leasehold inter-governmental	553 790	702 134
<b>Total minimum lease payments - PMTE as lessee</b>		
Within one year	2 118 143	2 410 558
In second to fifth year inclusive	2 077 212	3 727 265
Later than five years	161 785	305 403
	<b>4 357 140</b>	<b>6 443 226</b>

The PMTE has 2 882 leases of which 1 344 have not expired included in the current private leasing portfolio (2017: 2 597 leases of which 1 836 have not expired). The leasehold commitments reflected above have been determined based on the terms and conditions of the relevant lease agreements. Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, at financial reporting date, is determined taking into account the contractually agreed upon notice period. These amounts have been included as part of the "within one year" ageing bracket.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****6. Cash and cash equivalents**

	2017/18	2016/17*
	R'000	R'000
Cash and cash equivalents consist of:		
Cash on hand	299	218
Bank balance	5 668	2 716
Cash and cash equivalents	<b>5 967</b>	<b>2 934</b>
Bank overdraft	(2 338 485)	(1 932 563)
	<b>(2 332 518)</b>	<b>(1 929 629)</b>

The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 5.29% (2017: 5.50%). The bank overdraft is a Pay-Master-General account is held at the South African Reserve Bank and carries interest at 0%.

**7. Property, plant and equipment**

	2017/18			2016/17*		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	38 324 167	-	38 324 167	38 339 749	-	38 339 749
Buildings and improvements	92 606 969	(10 968 603)	81 638 366	89 162 257	(8 508 746)	80 653 511
Furniture and office equipment	109 783	(45 606)	64 177	108 828	(38 913)	69 915
Motor vehicles	-	-	-	411	(403)	8
Computer equipment	223 745	(96 215)	127 530	204 839	(72 644)	132 195
Other machinery and equipment	62 282	(21 102)	41 180	54 766	(16 501)	38 265
<b>Total</b>	<b>131 326 946</b>	<b>(11 131 526)</b>	<b>120 195 420</b>	<b>127 870 850</b>	<b>(8 637 207)</b>	<b>119 233 643</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**7. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2017/18**

	Opening balance	Additions	Transfers in	Disposals	Transfers out	Change in estimate	Depreciation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	38 339 749	-	-	(15 582)	-	-	-	-	38 324 167
Buildings and improvements	80 653 511	3 444 713	-	-	-	-	(2 375 507)	(84 351)	81 638 366
Furniture and office equipment	69 915	12 860	273	(50)	(361)	704	(19 163)	(1)	64 177
Motor vehicles	8	-	-	-	-	-	(8)	-	-
Computer equipment	132 195	19 013	4 127	(918)	(1 313)	8 800	(34 370)	(4)	127 530
Other machinery and equipment	38 265	5 995	2 031	(63)	(182)	1 284	(6 150)	-	41 180
	<b>119 233 643</b>	<b>3 482 581</b>	<b>6 431</b>	<b>(16 613)</b>	<b>(1 856)</b>	<b>10 788</b>	<b>(2 435 198)</b>	<b>(84 356)</b>	<b>120 195 420</b>

**Reconciliation of property, plant and equipment - 2016/17\***

	Opening balance	Additions	Transfers in	Disposals	Transfers out	Change in estimate	Depreciation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	38 485 541	464	-	(146 256)	-	-	-	-	38 339 749
Buildings and improvements	78 644 925	4 337 325	-	-	-	-	(2 290 610)	(38 129)	80 653 511
Furniture and office equipment	74 904	15 200	603	(1 059)	(115)	(820)	(18 780)	(18)	69 915
Motor vehicles	224	-	-	-	(98)	-	(118)	-	8
Computer equipment	151 124	10 961	4 688	(6 350)	(705)	7 848	(35 359)	(12)	132 195
Other machinery and equipment	37 518	7 741	79	(683)	(494)	142	(6 007)	(31)	38 265
	<b>117 394 236</b>	<b>4 371 691</b>	<b>5 370</b>	<b>(154 348)</b>	<b>(1 412)</b>	<b>7 170</b>	<b>(2 350 874)</b>	<b>(38 190)</b>	<b>119 233 643</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****7. Property, plant and equipment (continued)****Additional disclosure relating to assets under construction**

	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted
	R'000	R'000	R'000
2017/18			
Buildings and improvements	11 325 077	6 642 770	-
2016/17*			
Buildings and improvements	10 495 378	5 130 279	-

Reasons for construction projects significantly delayed are mainly due to poor contractor performance.

**Assets subject to finance lease (Net carrying amount)**

	2018	2017*
	R'000	R'000
Furniture and office equipment	14 161	15 444
Motor vehicles	-	8
	<b>14 161</b>	<b>15 452</b>

Refer to note 14 for further details regarding the commitments for finance leased asset.

**Contractual commitments for acquisition and maintenance of Property, plant and equipment**

	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment
	R'000	R'000	R'000
2017/18			
Buildings and improvements	6 164 179	3 382 026	9 546 205
2016/17*			
Buildings and improvements	6 280 651	3 637 466	9 918 117

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****7. Property, plant and equipment (continued)****Other disclosure**

The change in estimate is as a result of a review of the useful lives of the classes of property, plant and equipment.

An additional 185 properties (2017: 366 properties) were identified on the Deeds download received on 30 April 2018 effective 31 March 2018, whilst 2 land parcels amounting to R16 million (2017: 14 land parcels amounting to R146 million) had changed ownership with no formal process or disposal followed. The latter land parcels have been placed under investigation due to the nature of the ownership change (refer to note 24).

PMTE has reconciled its immovable asset register to the other national and provincial custodians and has identified properties under its control where the underlying land was also disclosed by the provinces. These properties mainly relate to instances where both a National and Provincial function structure is located on the same land parcel. Included in the amounts recognised in property, plant and equipment are land parcels that are currently also included in the asset register of the provinces. PMTE will continue to disclose such land until it is surveyed and the portion relating to provincial function is identifiable and transferred where applicable. The table below reflects details as at 31 March 2018:

	Number of land parcels	Total extent of land Ha	Carrying Value R'000
Gauteng	2	83	1 406
Northern Cape	1	3 287	895
	<b>3</b>	<b>3 370</b>	<b>2 301</b>

**8. Investment property**

	2017/18			2016/17*		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Investment property	5 960 463	(506 410)	5 454 053	5 952 760	(400 758)	5 552 002

**Reconciliation of investment property - 2017/18**

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Buildings and improvements	4 222 838	7 703	(105 652)	4 124 889
Land	1 329 164	-	-	1 329 164
	<b>5 552 002</b>	<b>7 703</b>	<b>(105 652)</b>	<b>5 454 053</b>

\* Restated - See Note 37



## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 8. Investment property (continued)

##### Reconciliation of investment property - 2016/17\*

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Buildings and improvements	4 325 574	1 263	(103 999)	4 222 838
Land	1 329 164	-	-	1 329 164
	<b>5 654 738</b>	<b>1 263</b>	<b>(103 999)</b>	<b>5 552 002</b>

##### Additional disclosure relating to assets under construction

	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted
	R'000	R'000	R'000
2017/18			
Buildings and improvements	70 245	50 532	-
2016/17*			
Buildings and improvements	64 914	50 532	-

Reasons for construction projects significantly delayed are due to projects under legal investigations.

##### Amounts recognised in Statement of Financial Performance relating to Investment Property

	2017/18			2016/17*		
	Revenue generating	Non-revenue generating	Total	Revenue generating	Non-revenue generating	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Revenue from exchange (Freehold private)</b>	<b>44 156</b>	<b>-</b>	<b>44 156</b>	<b>65 673</b>	<b>-</b>	<b>65 673</b>
Property maintenance	76	240	316	10	39	49
Municipal services	6 418	244	6 662	5 734	429	6 163
Property rates	1 673	1 196	2 869	4 739	777	5 516
Cleaning and gardening	20	117	137	-	37	37
Security	-	1 558	1 558	-	430	430
<b>Total direct expenses</b>	<b>8 187</b>	<b>3 355</b>	<b>11 542</b>	<b>10 483</b>	<b>1 712</b>	<b>12 195</b>
<b>Total surplus/(deficit) on investment property</b>	<b>35 969</b>	<b>(3 355)</b>	<b>32 614</b>	<b>55 190</b>	<b>(1 712)</b>	<b>53 478</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****8. Investment property (continued)****Contractual commitments for the acquisition and maintenance of Investment Property**

2017/18

Buildings and improvements

2016/17\*

Buildings and improvements

Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment
R'000	R'000	R'000
7 206	-	7 207
15 436	-	15 436

**9. Heritage assets**

	2017/18			2016/17*		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	582 041	-	582 041	582 041	-	582 041
Buildings and improvements	315 783	-	315 783	315 816	-	315 816
<b>Total</b>	<b>897 824</b>	<b>-</b>	<b>897 824</b>	<b>897 857</b>	<b>-</b>	<b>897 857</b>

**Reconciliation of heritage assets - 2017/18**

Land

Buildings and improvements

**Total**

Opening balance	Other changes, movements	Total
R'000		R'000
582 041	-	582 041
315 816	(33)	315 783
<b>897 857</b>	<b>(33)</b>	<b>897 824</b>

**Reconciliation of heritage assets - 2016/17\***

Land

Buildings and improvements

**Total**

Opening balance	Other changes, movements	Total
R'000		R'000
582 041	-	582 041
315 816	-	315 816
<b>897 857</b>	<b>-</b>	<b>897 857</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****9. Heritage assets (continued)****Additional disclosure relating to assets under construction**

2017/18

Buildings and improvements

2016/17\*

Buildings and improvements

Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted
R'000	R'000	R'000
445	-	-
445	-	-

**Restrictions on heritage assets**

The PMTE is not allowed to dispose of heritage assets under its custodianship.

**Contractual commitments for the acquisition and maintenance of heritage assets**

2017/18

Buildings and improvements

2016/17\*

Buildings and improvements

Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment
R'000	R'000	R'000
-	-	-
80	-	80

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**10. Intangible assets**

	2017/18			2016/17*		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	31 921	(8 791)	23 130	28 537	(6 918)	21 619

**Reconciliation of intangible assets - 2017/18**

	Opening balance	Additions	Amortisation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000
Computer software	21 619	3 384	(1 873)	-	23 130

**Reconciliation of intangible assets - 2016/17\***

	Opening balance	Additions	Amortisation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000
Computer software	12 015	11 872	(2 268)	-	21 619

**Additional disclosure relating to assets under development**

	Cumulative expenditure recognised in carrying value	Carrying value of projects significantly delayed	Carrying value of projects halted
	R'000	R'000	R'000
2017/18			
Computer software	19 682	19 682	-
2016/17*			
Computer software	15 268	15 268	-

Reason for the project significantly delayed is due to poor contractor performance relating to the Archibus/SAGE integration software development project.

**Contractual commitments for acquisition and maintenance of intangible assets**

	Committed for acquisition (CAPEX)	Committed for maintenance (OPEX)	Total commitment
	R'000	R'000	R'000
2017/18			
Computer software	14 071	41 631	55 702
2016/17*			
Computer software	-	-	-

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****11. Deferred revenue**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
Deferred revenue	<b>6 696 888</b>	<b>6 137 955</b>

This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.

Opening balance	6 137 955	6 680 689
Plus: Revenue deferred during the year	1 695 383	2 158 978
Less: Revenue recognised during the year	(1 136 450)	(2 701 712)
	<b>6 696 888</b>	<b>6 137 955</b>

**12. Payables from exchange transactions****Financial liabilities**

Accrued expenses - Assets	256 093	385 328
Accrued expenses - Cleaning and gardening	24 996	17 157
Accrued expenses - Leases	805 271	418 819
Accrued expenses - Maintenance	234 248	470 437
Accrued expenses - Municipal services	1 013 057	1 001 975
Accrued expenses - Other	85 053	99 383
Accrued expenses - Property rates	53 039	76 743
Accrued expenses - Scheduled maintenance	162 863	202 953
Accrued expenses - Security	8 080	3 381
<i>Total accrued expenses</i>	<i>2 642 700</i>	<i>2 676 176</i>
Unallocated deposits	2 285	4 442
Trade payables	796	-
Deposits received	17	17
	<b>2 645 798</b>	<b>2 680 635</b>

**Non-financial liabilities**

Income received in advance - leases	652 543	539 251
Income received in advance - other services	86 045	63 429
Debtors with credit balances	62 765	53 010
	<b>801 353</b>	<b>655 690</b>
<b>Total payables from exchange transactions</b>	<b>3 447 151</b>	<b>3 336 325</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****13. Retention liabilities**

	2017/18	2016/17*
	R'000	R'000
Non-current liabilities	52 501	40 620
Current liabilities	349 680	281 407
	<b>402 181</b>	<b>322 027</b>

**14. Finance lease obligation****Minimum lease payments due**

- within one year	7 699	9 416
- in second to fifth year inclusive	3 078	8 365
	10 777	17 781
less: future finance charges	(834)	(1 756)
<b>Present value of minimum lease payments</b>	<b>9 943</b>	<b>16 025</b>

**Present value of minimum lease payments due**

- within one year	7 005	8 221
- in second to fifth year inclusive	2 938	7 804
	<b>9 943</b>	<b>16 025</b>
Non-current liabilities	2 938	7 804
Current liabilities	7 005	8 221
	<b>9 943</b>	<b>16 025</b>

The finance lease liability relates to vehicles, furniture and office equipment, whereby the PMTE takes ownership of the asset upon completion of the contract. These contracts are typically for a period of 36 months for other equipment and 24 months for cellphones and 3G cards. All contracts have no escalation clauses. During 2017/18 a new agreement was entered into with regards to cell phones and 3G cards whereby the entity purchases the cell phones up front with no further finance lease obligations.

**15. Employee benefit obligations****Reconciliation - 2017/18**

	Opening balance	Utilised during the year	(Over)/ under provided	Additions	Total
	R'000	R'000	R'000	R'000	R'000
Leave	126 197	(106 656)	(19 541)	126 408	126 408
Service bonus	35 730	(35 176)	(554)	38 686	38 686
Performance bonus	20 651	(24 887)	4 236	21 744	21 744
Long service awards	6 184	(2 943)	-	2 492	5 733
	<b>188 762</b>	<b>(169 662)</b>	<b>(15 859)</b>	<b>189 330</b>	<b>192 571</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****15. Employee benefit obligations (continued)****Reconciliation - 2016/17**

	Opening balance	Utilised during the year	(Over)/ under provided	Additions	Total
Leave	110 684	(99 691)	(10 994)	126 198	126 197
Service bonus	34 012	(33 285)	(727)	35 730	35 730
Performance bonus	18 094	(18 170)	76	20 651	20 651
Long service awards	5 734	(2 782)	-	3 232	6 184
	<b>168 524</b>	<b>(153 928)</b>	<b>(11 645)</b>	<b>185 811</b>	<b>188 762</b>

**16. Provisions****Reconciliation of provisions - 2017/18**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Municipal services and property rates (backlog)	977 481	83 220	(15 710)	-	-	1 044 991
Maintenance	1 108 568	583 416	(382 797)	(387 275)	89 287	1 011 199
Legal proceedings	11 056	14 625	(6 402)	(400)	-	18 879
	<b>2 097 105</b>	<b>681 261</b>	<b>(404 909)</b>	<b>(387 675)</b>	<b>89 287</b>	<b>2 075 069</b>

**Reconciliation of provisions - 2016/17\***

Municipal services and property rates (backlog)	971 280	88 288	(82 087)	-	-	977 481
Maintenance	-	1 108 568	-	-	-	1 108 568
Legal proceedings	13 295	3 780	(31)	-	(5 988)	11 056
	<b>984 575</b>	<b>1 200 636</b>	<b>(82 118)</b>	<b>-</b>	<b>(5 988)</b>	<b>2 097 105</b>

**Municipal services and property rates (backlog)**

The DPW embarked on Phase II Invoice Verification project to verify claims across all regions made by local municipalities on arrear municipal debts. The project involved detailed and extensive investigation and verification of claims with the local municipalities to ensure only confirmed and valid claims are settled. The next phase of the project will be to confirm the debt with the relevant departments to settle the remaining liability and to recover over payments to municipalities. National Treasury is being consulted to assist with a uniform approach concerning the settlement of the debt and outstanding interest.

As a result of this project, the PMTE has identified prepayments to municipalities amounting to R 428 million (2017: R 372 million) included in the Prepaid expenses in note 3.

Debt owed to/due from municipalities but not confirmed has been included in contingent liabilities and contingent assets respectively (refer to note 30). Included in contingent liabilities is an amount of R 25 million (2017: R 25 million) relating to interest charged by municipalities which is still in the process of verification.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****16. Provisions (continued)***Maintenance*

The PMTE appoints contractors to perform repair and maintenance services for its properties. The amount above has been classified as a provision as there is a greater element of uncertainty regarding the amounts and the timing of the work performed. Management is in the process of engaging with contractors to provide all required documentation to validate invoices. Management has developed a model to estimate the obligation for the work performed by contractors (refer to 1.1.6).

*Legal proceedings*

Provisions for legal proceedings consist of claims and litigations for services that have been delivered without an indication of the timing of settlement or the amount of settlement. The provision is based on the amounts confirmed by the legal advisors of the PMTE.

**17. Revenue from exchange transactions**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
Accommodation charges - Leasehold Inter-governmental	4 471 017	4 008 113
Accommodation charges - Freehold Inter-governmental	5 631 793	7 028 157
Accommodation charges - Freehold Private	44 156	65 673
Management fees on municipal services	212 923	193 172
Reversal of impairment loss for receivables from exchange transactions	32 538	75 860
Sundry revenue	7 211	7 589
Interest revenue	18 265	4 428
Recoveries	1 075	678
	<b>10 418 978</b>	<b>11 383 670</b>

**Interest revenue consists of:**

Interest from receivables	18 253	4 421
Interest on bank balances	12	7
	<b>18 265</b>	<b>4 428</b>

**18. Revenue from non-exchange transactions**

Augmentation	3 682 254	3 389 448
Goods and service in-kind	3 114	20 772
Contractor fines	3 195	2 714
Donations revenue	382 361	642 185
Accommodation charges - Prestige	1 771	1 870
	<b>4 072 695</b>	<b>4 056 989</b>

\* Restated - See Note 37



**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****19. Construction revenue and expenses**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
<b>Amount recognised in surplus</b>		
Construction Revenue	232 861	261 446
Construction Expenses	(232 861)	(261 446)

The following is included in the revenue accrual (projects) and prepaid expense amounts per note 3:

**Gross amount due from clients**

Costs incurred to date	1 001 912	844 330
Amounts invoiced to date	(991 282)	(824 096)
	<b>10 630</b>	<b>20 234</b>

**Amounts not yet billed (Revenue accrual)**

Retentions	6 177	8 035
Accrued expenses	31 021	12 199
Prepaid expenses	(26 568)	-
	<b>10 630</b>	<b>20 234</b>

**20. Depreciation, amortisation and impairments of assets**

Property, plant and equipment	2 508 766	2 381 894
Investment property	105 652	103 999
Intangible assets	1 873	2 268
	<b>2 616 291</b>	<b>2 488 161</b>

**21. Employee related costs**

Bargaining council	974	336
Basic salary and non-pensionable salary	1 222 482	1 144 789
Housing allowances	55 623	54 996
Medical aid contributions	76 789	72 693
Overtime	23 234	17 641
Pension fund contributions	121 341	114 131
Performance bonus	26 510	22 613
Service bonus	75 795	73 667
	<b>1 602 748</b>	<b>1 500 866</b>

**22. Impairment loss on receivables**

Receivables from exchange transactions	1 082 946	279 714
Receivables from non-exchange transactions	664	2 133
	<b>1 083 610</b>	<b>281 847</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****23. Interest expense**

	2017/18	2016/17*
	R'000	R'000
Interest on overdue accounts	74	106
Interest on municipal services and property rates	83 220	88 288
Interest on finance leases	1 787	1 774
	<b>85 081</b>	<b>90 168</b>

Interest due on backlog municipal services and property rates has not been paid however has been provided as explained in note 16.

**24. Loss on disposal/transfer of assets**

Property, plant and equipment	<b>18 463</b>	<b>155 654</b>
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Majority of the loss on the disposal of property, plant and equipment relates to the 2 land parcels (2017: 14), with a carrying value of R16 million (2017: R146 million), which has changed ownership during the financial period. These are currently under investigation. Refer to note 7.

**25. Operating lease**

Operating lease - building and improvements	4 529 246	4 115 693
Operating lease - vehicles, furniture and office equipment	47 747	40 822
Rent on land	25 468	24 651
	<b>4 602 461</b>	<b>4 181 166</b>

**26. Property maintenance (contracted services)**

**Property maintenance expense relates to the following asset categories:**

Property, plant and equipment	2 141 208	3 370 349
Investment property	315	49
Heritage assets	7 789	2 891
Leased properties	9 264	9 942
	<b>2 158 576</b>	<b>3 383 231</b>

The property maintenance expense constitutes transactions with contractors for services rendered relating to repairs and maintenance on properties.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****27. Sundry operating expenses**

	Note	2017/18	2016/17*
		R'000	R'000
Advertising		3 758	3 041
Auditors remuneration		35 660	28 387
Bad debts written off		877	1 877
Bank charges		506	298
Bursaries		10 366	4 119
Claims against the state		159	37
Cleaning and gardening		272 615	250 005
Computer software related expenses		19 807	11 375
Communication expenses		9 852	14 682
Consulting fees	27.1	246 961	275 045
Consumables		26 272	27 164
Fleet expenses	27.2	17 152	12 154
Losses incurred	27.3	197 940	64 868
Municipal service expenses		387 014	288 165
Other contractors		5 479	6 467
Other goods and services		20 232	12 759
Retirement awards		13 241	9 086
Security		94 163	76 220
Service in-kind expenses	27.4	-	21 420
Travel and subsistence		72 899	71 779
		<b>1 434 953</b>	<b>1 178 948</b>

**27.1 Consulting fees**

Included in consulting fees is R173 million (2017: R149 million) paid to Special Investigating Unit for investigation purposes, and R11 million (2017: R29 million) paid to COEGA Development Corporation for business improvements and process reviews. An amount of R19 million was paid to Vodacom for the Telemetry solution implemented for our properties and R10 million was paid to Development Bank of South Africa for the assistance with the conditional assessments and maintenance plan development for facilities. R5 million (2017: R- million) was paid to Ernst & Young for the development of the Finance model. The remaining balance of consulting fees relates to the assessment and verification of the immovable assets, green buildings & energy saving consultants and engineering conditional assessment reviews of properties and components.

**27.2 Fleet expenses**

The PMTE has entered into operating lease arrangements for vehicles. The operating lease for vehicles is on a month-to-month basis and therefore no operating lease asset or liability exists.

**27.3 Losses incurred**

The losses incurred consists mainly of additional payments made to defaulting contractors on projects.

**27.4 Service in kind expense**

This amount relates to expenses and movable assets paid for by the PMTE but utilised by the DPW.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****28. Cash generated from operations**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
(Deficit) surplus	(152 746)	1 113 130
<b>Adjustments for:</b>		
Depreciation, impairment and amortisation	2 616 291	2 488 161
Loss on disposal/transfer of assets	18 463	155 654
Interest expense	85 081	90 168
Interest revenue	(18 253)	(4 421)
Impairment on receivables	1 083 610	281 847
Bad debt written off	877	1 877
Reversal of impairment loss on receivables	(32 538)	(75 860)
Service in-kind revenue	(3 114)	(20 772)
Service in-kind expenditure	-	21 420
Losses incurred	197 940	64 868
Donations received	(382 361)	(642 185)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 324 251)	(1 256 662)
Receivables from non-exchange transactions	(620)	(602)
Operating lease asset	131 138	186 455
Operating lease liabilities	(148 344)	(153 061)
Payables from exchange transactions	239 987	387 721
Provisions	(105 256)	1 024 242
Employee benefit obligations	3 809	20 238
Retention liabilities	7 040	27 027
Deferred revenue	558 933	(542 735)
	<b>2 775 686</b>	<b>3 166 510</b>

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 29. Budget differences

	2017/18
Reconciliation of budget to actual	R'000
Net cash flows from operating activities	2 775 686
Net cash flows from investing activities	(3 170 706)
Net cash flows from financing activities	(7 869)
	<b>(402 889)</b>
Cash deficit	(402 889)
Deficit for the year	(152 746)
<b>Basis difference</b>	<b>(555 635)</b>

The difference between the cash surplus per the Statement of Comparison of Budget and Actual Amounts and the Statements of Financial Performance relates to non-cash movements. The PMTE's approved budget was for the 12 month period ending 31 March 2018.

#### Explanations of material variances between actual amounts and final budgeted amount

##### *Accommodation charges - freehold inter-governmental*

The revenue variance between the final budget and the actual performance is largely attributable to Intergovernmental accommodation charges invoiced for R1 billion which was not recovered from the client departments, primarily Correctional Services (R422 mil), Justice (R189 mil), Agriculture (R85 mil), DPSA (R25 mil) and DIRCO (R7 mil). The exemption for itemised billing was received from National Treasury on the 8 January 2018 which caused delays in payments by the client departments. The remaining balance of R 351 mil primarily relates to DAC major HVAC project (R78 mil), SAPS (R66 mil), Justice (R61 mil), Correctional Services (R30 mil), Defence (R33 mil), DIRCO- Pap Project (R60 mil) and Basic Education (R23 mil). Included in the amount received is the amount of R648 million relating to the invoices issued in the previous financial year.

##### *Accommodation charges - leasehold inter-governmental*

The revenue variances is largely attributable to the amount R359 million received in advance from client departments, this amount relate to 2016/17 financial year

##### *Municipal services recovered and paid*

The PMTE performs the role as agent for all client departments when municipal services are provided. These services are performed for the benefit of the client who remains the principal in this agreement. The principal should account for the amount received or paid. Hence zero amount budgeted for this item. Net effect of payments and recoveries should be zero as municipal services are managed on a cost recovery basis. Payments may exceed recoveries due to delays in invoicing. The revenue variances is largely attributable to unpaid balances due to disputes, mainly relating to non-occupation of properties and abstaining from shared savings contracts claims.

##### *Management fee on municipal services*

The variance on this item is attributable to the fact that the amount received as at the end of the Financial Year was less than the amount claimed, the calculation of the management fee was based on the amount to be claimed for the municipal services from the client departments. Included in the amount received is the amount of R12 million relating to the invoices issued in the previous financial year.

## PROPERTY MANAGEMENT TRADING ENTITY

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 29. Budget differences (continued)

#### *Construction revenue and costs*

Projected revenue and expenditure from construction contracts are budgeted for against Capital recoverable. Expenditure from construction contracts relating to non-state owned assets is however recognised separately as construction costs in the Statement of Financial Performance in accordance with GRAP. These contracts were identified during the 2017/18 annual financial statement process and mainly related to the Department of Defence endowment properties.

#### *Maintenance*

Maintenance budget comprises of planned maintenance and unplanned maintenance.

For planned maintenance the budget is based on the cash flow projection relating to the planned projects roll-out of an extensive project portfolio. The expenditure is monitored closely. There is an over-expenditure for planned maintenance due to the reclassification of expenditure from capital to current projects which were originally budgeted against capital.

For unplanned maintenance the budget relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of the expense, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted. Additional funding was provided to assist with the settlement of outstanding invoices.

#### *Cleaning and gardening*

Cleaning and horticultural services are provided to the facilities occupied by PMTE, Justice and Prestige. These services are delivered partially through in-house capability and partially through the use of external service providers. The variances is attributable to the delay in the procurement of new contracts where the existing contracts have expired. The reasons for the delays was that most of the service providers were not complying with the responsiveness criteria and the delays in getting security vetting results. The other reason was due to the delay in receiving the claims for the payment of EPWP beneficiaries from DPW.

#### *Operating leases*

The overspending is attributable to the escalation clauses in the individual lease contracts. The expenditure is recoverable from client departments and does not affect the overall operations of the PMTE.

#### *Property rates*

The underspending on this budget item was due to disputes of ownership on some of the properties invoiced by the municipality as well as disputes regarding the rand value of the invoices. The reconciliation process is taking place between the PMTE's asset register and the accounting records and the Municipality.

#### *Municipal services expenditure*

Slow expenditure which was due to late receipt of invoices from the municipalities. This lead to the underspending on the Municipal Services budget.

#### *Administrative, goods and services*

The over expenditure relates to losses incurred due to contractors defaulting on infrastructure projects where the costs have not been recovered.

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 29. Budget differences (continued)

##### *Compensation of employees*

Overspending relates to the payment of compensation to officials appointed on a contract basis. The Compensation budget was reduced as the contracts were ending during the financial year, however these contracts were extended longer than expected.

These appointments were necessary while the new structure was implemented and officials were matched and placed to the correct positions. The shortfall will be funded from savings against other budget items.

##### *Capital non-recoverable expenditure*

Funding was earmarked for the acquisition of two sites in the City of Tshwane under the Precinct Planning and Development Programme. These acquisition were not finalised in the 2017/18 financial year due to a delay in obtaining a Council Resolution. Application will be made to roll this funding over to the next financial year as it is expected that the process will be finalised during the first quarter of the 2018/19 financial year.

##### *Capital recoverable expenditure*

The underspending on this budget occurred on projects against Arts and Culture, Justice and SAPS. The reasons for the underspending was due to the delay in the execution of projects which was caused by some of the contractors being liquidated and in financial distress. There were engagements between the contractors and the Department and the extension of time was approved on some of the projects.

#### 30. Contingencies

##### **Contingent liabilities**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
Municipal services and property rates	60 544	60 544
Legal claims against the PMTE	41 432	88 183
Projects	-	6 394
	<b>101 976</b>	<b>155 121</b>

##### *Municipal services and property rates*

The DPW embarked on Phase II Invoice Verification project to verify claims made by local municipalities on arrear municipal debts. The project involved detailed investigation of claim with the local municipalities to ensure only valid claims are settled. For further details refer to note 16.

In addition, the PMTE is not billed on various properties for property rates for which it may be liable in terms of the Municipal Rates Act. The amount of this liability is not reliably measurable due to the uncertainty relating to municipal valuations, applicable rates chargeable, possible exemptions on state owned properties, subdivision of land parcels, timing of receipt of bills, possible changes in ownership and payment arrangements. Therefore management has not recognised a liability in respect of these property rates in the current reporting period. Management is actively engaging with the relevant municipalities in order to rectify possible incorrect billings.

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 30. Contingencies (continued)

##### *Legal claims against the PMTE*

The claims against the PMTE arose from property and maintenance disputes with various third parties and/or service providers as well as litigations regarding cancellations of rental leases. The Legal Services are handling the claims and have assessed the probability of each claim in determining the total amount of the legal contingent liability and that the outflow of economic benefits is possible at the reporting date.

##### *Projects*

Certain projects have reached final completion status however there are disputes regarding the final re-measurements and/or contractual penalties between the contractor, the Quantity Surveyor and the PMTE. No legal action has been taken by any stakeholder at the end of the reporting period. The figure disclosed represents the remaining commitment, after deducting any retentions and accruals at reporting date.

##### **Contingent assets**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
Municipal services and property rates	828	828
Municipal services - shared savings	-	75 930
Legal claims by the PMTE	172 870	193 436
Retentions	-	45 742
Special Investigating Unit recoveries	765 705	-
Property, plant and equipment	Undefined	Undefined
	<b>939 403</b>	<b>315 936</b>

##### *Municipal services and property rates*

The DPW embarked on Phase II Invoice Verification project to verify claims made by local municipalities on arrear municipal debts. The project involved detailed investigation of claim with the local municipalities to ensure only valid claims are settled. For further details refer to note 16.

##### *Municipal services - shared savings*

The PMTE has embarked on a project with service providers to increase usage efficiencies of energy and water resulting in direct and indirect monetary savings to the relevant client departments. The service providers' interventions have reduced the municipal services consumption which is a direct savings against the client department's budget. In addition, the interventions entered into by the service provider has identified billing errors against the client department's municipal accounts. These errors have been corrected and the client department has enjoyed the refunds directly against their municipal accounts. The invoices from the service providers for the interventions undertaken have been billed to the client departments during 2017/18.

##### *Legal claims by the PMTE*

The claims for the PMTE arose from property and maintenance disputes with various third parties and/or service providers. The entity's legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent asset and that the inflow of economic benefits is possible at the reporting date.

\* Restated - See Note 37



## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 30. Contingencies (continued)

##### *Retentions*

Different contract types exist for the construction of properties by the contractors which include a range of security clauses for the purpose of managing the risk of non-performance by the contractor. These security clauses stipulate that the PMTE is entitled to retain a specified portion of the payment on each invoice received. Management did however not apply these security clauses accurately resulting in insufficient amounts being retained on each payment.

PMTE management has the intention to recoup these amounts on future payments. However contractors may not be willing to accept reduced payment and carry the consequences for management oversight. Therefore in the absence of objective evidence that the PMTE will be able to recover these funds before the projects are completed, the PMTE cannot conclude that future economic benefits will be possible and a contingent asset is disclosed.

##### *Special Investigating Unit recoveries*

The Special Investigating Unit (SIU) was tasked to investigate certain leases between PMTE as the lessee and the Landlords with reference to Proclamation R38 of 2010 (which was extended with Proclamation R27 of 2015) as well as Proclamation R59 of 2014. As a result of these investigations 13 summons have been issued or matters are currently presiding in court for the recovery of funds. There are 15 matters which were referred to the Asset Forfeiture Unit and 105 matters were referred to the PMTE for recovery.

The SIU was tasked to investigate certain projects relating prestige properties, with reference to Proclamation R54 of 2014 and Proclamation R59 of 2013. These matters are either currently presiding in court or summons have been issued for recovery of funds.

##### *Property, plant and equipment*

The PMTE is in the process of regularising the ownership of land parcels pertaining to state domestic facilities (SDF) built on land currently registered under a number of other state custodians. Whilst the SDFs have already been recognised, the PMTE estimates that there are 4 190 land parcels (2017: 5 366 land parcels) that will potentially need to be transferred to PMTE. Transfers can only be completed once an arrangement has been concluded with the current custodian and the land has been surveyed, registered or endorsed. The value of these land parcels can furthermore only be reliably determined once it has been surveyed and the revised Surveyor General diagrams have been issued.

The PMTE received the deeds register on the 30 April 2018 and is in the process of verifying the information. This could result in additional assets that may have to be recognised and/or assets to be transferred to relevant custodians.

#### 31. Fruitless and wasteful expenditure

	2017/18	2016/17*
	R'000	R'000
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	99 274	246 736
Fruitless and wasteful expenditure - relating to current year	-	119
Fruitless and wasteful expenditure - relating to prior year	-	38
Less amounts awaiting resolution	(12 076)	(147 619)
	<b>87 198</b>	<b>99 274</b>

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 31. Fruitless and wasteful expenditure (continued)

An amount of R133 million was discovered by the AGSA as potential fruitless and wasteful expenditure that management needed to validate in line with the National Treasury Guideline on fruitless and wasteful expenditure and the Policy on Management of Financial Misconduct. Given the complexity of the matters, management has instituted formal investigations into the project to determine if resultant expenditure is indeed fruitless and wasteful. It is anticipated that the investigation will be finalised in the new financial year and appropriate disclosures will be made thereafter. Due to improved internal controls instituted by management, no fruitless or wasteful expenditure was discovered and confirmed in the current financial year. However, an amount of R444 383 was discovered during the current year as potential fruitless and wasteful expenditure, which management was still validating at the conclusion of the audit.

The amounts reversed of R12 million relate to transactions previously classified as fruitless and wasteful expenditure without having validated or investigated them. There were instances where rentals were paid on purportedly unoccupied buildings. Upon further investigations it was found that some properties were never vacant, or are occupied on certain days, depending on the operation of client departments. These kinds of expenditure do not meet the definition of fruitless and wasteful expenditure.

The Special Investigations Unit (SIU) is currently conducting investigations in terms of proclamation R38 of 2010, R59 of 2014 and R27 of 2015. Management has received some reports of investigations, which have been implemented, while those received at the end of the financial year are still being processed through internal control processes. Those found to be irregular and/or fruitless and wasteful expenditure will be disclosed after final confirmation from the SIU.

##### Details of fruitless and wasteful expenditure - discovered in the current year

	2017/18	2016/17*
	R'000	R'000
Interest paid on overdue accounts	-	114
Transport costs	-	5
	-	119

#### 32. Irregular expenditure

##### Reconciliation of irregular expenditure

Opening balance	3 705 259	5 147 987
Add: Irregular Expenditure - relating to current year	149 384	11 058
Add: Irregular Expenditure - relating to prior year	9 887	257 116
Less: Amounts condoned - relating to prior years	(271 382)	(359 409)
Less: Amounts not recoverable (not condoned)	(1 259 109)	(1 351 493)
	<b>2 334 039</b>	<b>3 705 259</b>

Investigations into instances of confirmed irregular expenditure is an ongoing process. Where investigations have been concluded and officials have been found liable in law, appropriate actions are taken by management in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct. An amount of R133 million was discovered during the current year audit as potential irregular expenditure that management will validate in line with the National Treasury Guidelines on Irregular Expenditure and the approved Policy on Management of Financial Misconduct.

Prior year amounts condoned relate to transactions where consultants in construction were appointed in terms of the Roster Consultant System (RCS) and condoned in prior years.

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 32. Irregular expenditure (continued)

Amounts not recoverable (not condoned) relate to transactions dealt with in terms of the National Treasury Guideline on Irregular Expenditure and approved by the National Treasury in prior years.

The Special Investigations Unit (SIU) is currently conducting investigations in terms of proclamation R38 of 2010, R59 of 2014 and R27 of 2015. Management has received some reports of investigations, which have been implemented, while those received at the end of the financial year are still being processed through internal control processes. Those found to be irregular and/or fruitless and wasteful expenditure will be disclosed after final confirmation from the SIU.

##### Details of irregular expenditure - current year

2017/18

R'000

Appropriate approval not obtained from delegated authority	1 320
Incorrect procurement process followed	138 622
Documents for unsuccessful bidders not found	7 185
Local content not implemented	34
Three quotations not obtained	2 223
	<b>149 384</b>

Of the R149 million irregular expenditure incurred in the current year, R145 million relates to instances of irregularities found in contracts that were procured in the prior years and are still on-going. The amounts will only be cleared upon conclusion of the investigations which are currently on-going.

##### Details of irregular expenditure - prior year

2017/18

R'000

Appropriate approval not obtained from delegated authority	5 287
Incorrect procurement process followed	4 600
	<b>9 887</b>

The amount of R5.2 million was investigated and conducted by the Anti-Corruption Units in the current financial year and the necessary sanctions in the investigations are in the process of being implemented.

##### Details of irregular expenditure - prior year amounts condoned

2017/18

R'000

Roster Appointments/Consultants	271 382
---------------------------------	---------

Roster appointments related to a rotational database of professional services employed on construction projects which the department utilised in previous years. The database was found in the previous financial years not to comply with subsequent prescripts of the National Treasury relating to quotations. The incident was condoned by the Accounting Officer as the delegated authority in line with the approved Policy on Management of Financial Misconduct in the previous financial year and these transactions were subsequently identified during the investigations in the current financial year.

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****32. Irregular expenditure (continued)****Details of irregular expenditure not recoverable (not condoned)****2017/18****R'000**

Correct processes not followed in prior years

1 319 474

Prior year errors

(60 365)

**1 259 109**

The irregular expenditure classified as not recoverable (not condoned) relates to transactions where disciplinary actions were taken against the implicated officials. This also includes transactions that were approved by the National Treasury and were discovered during the investigations initiated by management. These transactions were dealt with in terms of the Policy on Management of Financial Misconduct and transactions considered not recoverable in terms of the National Treasury's Guideline on Irregular Expenditure.

**33. Financial instruments disclosure****2017/18****2016/17\*****R'000****R'000****Categories of financial instruments****Financial assets at amortised cost**

Receivables from exchange transactions

3 313 218

3 243 791

Cash and cash equivalents

5 967

2 934

**3 319 185****3 246 725****Financial liabilities at amortised cost**

Bank overdraft

2 338 485

1 932 563

Payables from exchange transactions

2 645 798

2 680 635

Retention liabilities

402 181

322 027

Finance lease obligations

9 943

16 025

**5 396 407****4 951 250****34. Risk management****Financial risk management**

The PMTE's activities are exposed to a variety of financial risks which includes market risk (including interest rate risk), credit risk and liquidity risk.

The Director-General, as the Accounting Officer, is responsible for strategic risk management. The Audit Committee provides oversight over the risk management. The PMTE has a risk management strategy that has been developed in terms of the Treasury Regulation 3.2. The purpose of the PMTE risk management strategy is to identify the risks and ensure that the overall risk profile remains at acceptable levels. The risk management strategy provides reasonable, but not absolute, assurance that risks are being adequately managed.

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 34. Risk management (continued)

The PMTE risk policy sets out the minimum standards of risk management to be adopted and adhered to by all the units within the PMTE. The risk policy is established to identify and analyse the risks faced by the PMTE, to set appropriate risk tolerance levels and controls and to monitor risks and adherence to these tolerance levels. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the PMTE activities. The risk management policy contains processes for identifying both the impact and likelihood of such a risk occurring. Risks that have been identified as having a potentially severe impact on the PMTE are regarded as unacceptable and where possible will be avoided. Financial risk is not considered significant with the exception of the bank overdraft. The PMTE has developed strategies to manage the bank overdraft which is monitored by management and the executive authority.

Responsibility for adherence to the PMTE risk management strategy rests with the management. Internal Audit provides reviews of management's compliance to the risk management processes within the PMTE. Internal Audit reports to management and the Audit Committee on a regular basis.

##### Liquidity risk

Liquidity risk is the risk that the PMTE is not able to settle its obligations. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

For operating lease liabilities and finance lease liabilities, the maturity analysis is disclosed in note 5 and note 14 respectively. Operating lease payments for vehicles increases annually based on CPIX. All payments are due within 30 days except tender deposits and retentions which are due when the related contracts expire. These tender deposits are considered immaterial in managing the cash flows of the PMTE and have been excluded from the maturity analysis below

2017/18	Note	1 month	2-12 months	2 years	3 years	> 3 years	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Bank overdraft	6	2 338 485	-	-	-	-	2 338 485
Accrued expenses - Assets	12	256 093	-	-	-	-	256 093
Accrued expenses - Cleaning and gardening	12	24 996	-	-	-	-	24 996
Accrued expenses - Leases	12	805 271	-	-	-	-	805 271
Accrued expenses - Maintenance	12	234 248	-	-	-	-	234 248
Accrued expenses - Municipal services	12	1 013 057	-	-	-	-	1 013 057
Accrued expenses - Other	12	85 053	-	-	-	-	85 053
Accrued expenses - Property rates	12	53 039	-	-	-	-	53 039
Accrued expenses - Scheduled maintenance	12	162 863	-	-	-	-	162 863
Accrued expenses - Security	12	8 080	-	-	-	-	8 080
Income received in advance - leases	12	652 543	-	-	-	-	652 543
Trade payables	12	796	-	-	-	-	796
Retention liabilities	13	265 776	83 904	50 371	2 105	26	402 182
Capital commitments - Projects		2 951 814	1 558 523	1 047 742	468 022	145 284	6 171 385
Operating maintenance commitments - Projects		1 256 282	1 199 122	634 581	181 063	110 978	3 382 026
Agency commitments - Projects		1 844	12 019	12 667	9 428	-	35 958
		<b>10 110 240</b>	<b>2 853 568</b>	<b>1 745 361</b>	<b>660 618</b>	<b>256 288</b>	<b>15 626 075</b>

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2016/17*	Note	1 month	2-12 months	2 years	3 years	> 3 years	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Bank overdraft	6	1 932 563	-	-	-	-	1 932 563
Accrued expenses - Assets	12	385 328	-	-	-	-	385 328
Accrued expenses - Cleaning and gardening	12	17 157	-	-	-	-	17 157
Accrued expenses - Leases	12	418 819	-	-	-	-	418 819
Accrued expenses - Maintenance	12	470 437	-	-	-	-	470 437
Accrued expenses - Municipal services	12	1 001 975	-	-	-	-	1 001 975
Accrued expenses - Other	12	99 383	-	-	-	-	99 383
Accrued expenses - Property rates	12	76 743	-	-	-	-	76 743
Accrued expenses - Scheduled maintenance	12	202 953	-	-	-	-	202 953
Accrued expenses - Security	12	3 381	-	-	-	-	3 381
Income received in advance - leases	12	539 251	-	-	-	-	539 251
Retention liabilities	13	175 405	108 412	14 870	23 340	-	322 027
Capital commitments - Projects		1 483 438	3 097 284	1 311 128	321 331	82 985	6 296 166
Operating maintenance commitments - Projects		336 150	1 826 280	950 315	397 574	127 146	3 637 465
Agency commitments - Projects		953	7 873	1 400	-	-	10 226
		<b>7 143 936</b>	<b>5 039 849</b>	<b>2 277 713</b>	<b>742 245</b>	<b>210 131</b>	<b>15 413 874</b>

The PMTE has 2 882 active leases (2017: 2 597) included in the current private leasing portfolio. The leasehold commitments reflected have been determined based on the terms and conditions of the relevant lease agreements. However, based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, as at year-end, is determined taking into account the contractually agreed upon notice period. These amounts have been included as part of the "within one year" ageing bracket. For further commitment disclosure for operating leases, refer to note 5.

The PMTE does not enter into capital and/or lease commitments without ensuring commitment from the client departments to settle its obligations.

The liquidity maturity analysis represents the contractual cash flows and has not been discounted.

**Credit risk**

Credit risk is the risk of financial loss to the PMTE if a client department or counterparty defaults on its contractual obligations to the PMTE. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The PMTE may have financial assets arising out of transactions with suppliers due to overpayments and non-delivery. The PMTE manages this risk by requiring retentions and or guarantees before contract work commences.

The credit risk of financial assets arising out of lease contracts as it relates to transactions with other government departments and institutions is actively managed where there are disagreements about inter governmental debt.

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 34. Risk management (continued)

The PMTE first engages with the respective client to resolve the issue and if required involves National Treasury to mediate the situation. These various government institutions have no independent credit ratings.

Outstanding debt is assessed for impairment and amounts are not written off unless the authorised process is followed. However, as a result of client departments' inability to accumulate savings to settle debt, a considerable amount of time may expire before the amount is collected.

The PMTE is also exposed to additional credit risk it collects monies from the private sector for leases. The extent of these are not considered to be material.

The PMTE makes provision for this in the impairment calculation by discounting the expected future cash flows taking into account the expected period of payment.

The PMTE does not enter into additional leases with any client departments without first assessing the current outstanding debt of the client department.

Amounts that are neither past due nor impaired are considered to be recoverable as it relates to the current invoices not outstanding later than 30 days.

The nature of the PMTE's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Financial and statutory assets exposed to credit risk at year end were as follows:

	2017/18	2016/17*
	R'000	R'000
Cash and cash equivalents	5 967	2 934
Operating lease asset	582 154	713 292
Receivables from exchange transactions	3 313 218	3 243 791
Receivables from non-exchange transactions	22	66
	<b>3 901 361</b>	<b>3 960 083</b>

The carrying values of the above financial assets are net of any impairments and approximate their fair value.

None of the amounts disclosed above have been pledged as security or collateral for liabilities or contingent liabilities.

#### Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The PMTE is exposed to limited interest rate risk from cash balances as it sweeps transactions through commercial accounts to the Reserve Bank account.

The PMTE is exposed to changes in the interest rate applicable to debt owed to the state. Other changes in interest rates are considered insignificant. National Treasury determines this rate and manages the risk on behalf of National Government.

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 35. Related parties

The PMTE is controlled through the DPW at National Government level. Parties within the national sphere of government and entities reporting to National Departments that are subject to common control, are considered related parties.

The PMTE performs property management services for the state owned and leasehold immovable assets occupied by National Departments and their related parties, and recognises and recovers accommodation charges from them.

The PMTE operates within the administration of the DPW and as such all contracts are entered into in the name of the DPW. The liabilities and obligations arising from these transactions are accounted for by the PMTE if it relates to the PMTE operating activities as these liabilities will be settled using the PMTE funds and resources. As such, these transactions are not considered related party transactions.

The PMTE is exempt from disclosure of related party transactions provided that the services are received/delivered within normal supplier/client relationships, on terms and conditions that is no more nor less favourable than those that would have reasonably be expected to be adopted if dealing with that entity/person in the same circumstances. The extent of those transactions delivered in accordance with the PMTE legal mandate and that meets the exemption criteria, is included in note 17 (accommodation charges - leasehold inter-governmental and management fees on municipal services).

#### National Department of Public Works

##### Revenue from exchange transactions

Accommodation charges - Freehold Inter-governmental

##### Revenue from non-exchange transactions

Augmentation

Goods and service in-kind

	2017/18	2016/17*
	R'000	R'000
Accommodation charges - Freehold Inter-governmental	5 750	5 000
Augmentation	3 682 254	3 389 448
Goods and service in-kind	3 114	20 772
	<b>3 685 368</b>	<b>3 410 220</b>

The related party payables above are unsecured and are expected to be settled within normal course of business.

The PMTE receives certain free services from the DPW. Overhead costs that can be measured reliably and have been included in revenue from non-exchange transactions as services in-kind. (See note 18)

\* Restated - See Note 37



## PROPERTY MANAGEMENT TRADING ENTITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 35. Related parties (continued)

Other overhead costs include the sharing of corporate services between the DPW and the PMTE. Due to the nature of these transactions and the operational structures between the PMTE and the DPW, the value of these shared costs cannot be reliably measured. These costs, paid by the DPW on behalf of the PMTE and not recovered, include the following corporate shared services:

- Internal Audit
- Human Resources (Human Resource Management and Human Resource and Organisational Development)
- Gender, people with disabilities, youth and children
- Marketing and Communication
- Information Services
- Legal Services
- Security Management
- International relations and Strategic Management Unit
- Office of the Ministry, Office of the Director General and Office of the Chief Financial Officer
- Monitoring and Evaluation
- Labour Relations

In addition, the DPW and the PMTE share the service cost of certain special interventions entered into in support of the turn around strategy. These cannot be reliably separated.

#### Other related parties

The PMTE recognises accommodation revenue on state owned buildings based on the amount budgeted by client departments. The level of service delivery relating to this accommodation charge is not linked to the value received, it is likely that some clients may benefit to the disadvantage of others. It is not possible to identify the extent of benefit or disadvantage received. The full amount of the revenue transaction is disclosed in note 17. The related receivables (accommodation debtors - freehold inter- governmental) is disclosed in note 3.

**PROPERTY MANAGEMENT TRADING ENTITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****35. Related parties (continued)**

	2017/18	2016/17*
	R'000	R'000
<b>Revenue from exchange transactions: Accommodation charges - freehold intergovernmental</b>		
Agriculture, Forestry and Fisheries	114 184	99 290
Arts and Culture	46 465	40 405
Telecommunications and Postal Services	1 157	1 006
Correctional Services	1 071 622	1 023 940
Defence	1 024 528	975 741
Higher Education	968	842
Environmental Affairs	23 328	20 286
Government Communications	37	32
Government Pension Administration Agency	19 058	32 034
Health	18 038	15 685
Home Affairs	55 664	48 403
Human Settlement	591	514
Independent Police Investigative Directorate	398	379
Justice and Constitutional Development	378 547	360 542
Labour	65 405	56 874
Rural Development and Land Reform	31 894	32 150
Mineral Resources	3 615	3 143
National Treasury	6 770	5 887
National Treasury - SARS	38 339	33 338
Public Service and Administration	343	48 520
SA Police Services	1 267 913	1 207 536
Social Development	630	548
Sports and Recreation	13	12
Statistics South Africa	1 628	4 672
Trade and Industry	43	37
Water and Sanitation	154 646	137 450
	<b>4 325 824</b>	<b>4 149 266</b>

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****35. Related parties (continued)**

	2017/18	2016/17*
	R'000	R'000
<b>Gross receivables from exchange transactions: Accommodation charges - freehold intergovernmental</b>		
Agriculture, Forestry and Fisheries	85 638	24 822
Correctional Services	421 519	255 989
Independent Complainants Directorate	-	189
International Relations and Cooperation	7 258	7 258
Justice and Correctional Services	166 999	1
Public Service and Administration	172	12 130
Rural Development	1	1
Sports and Recreation	-	3
Statistics South Africa	18	18
Telecommunications and Postal Services	-	251
Trade and Industry	103	79
	<b>681 708</b>	<b>300 741</b>

**Impairment relating to exchange transactions: Accommodation charges - freehold intergovernmental**

Agriculture, Forestry and Fisheries	4 597	2 658
Correctional Services	182 032	27 410
Independent Complainants Directorate	-	25
International Relations and Cooperation	7 258	7 258
Justice and Constitutional Development	20 500	1
Public Service and Administration	172	12 130
Rural Development and Land Reform	1	1
Statistics South Africa	18	3
Telecommunications and Postal Services	-	27
Trade and Industry	103	62
	<b>214 681</b>	<b>49 575</b>

The PMTE incurs costs relating to cleaning and gardening services for leasehold properties occupied by certain client departments. Figures reflected in the tables below reflect the related party transactions applicable per client department. These costs are not recovered from client departments, and therefore considered a free service to them. The related party accruals disclosed below are unsecured and are expected to be settled within the normal course of business.

\* Restated - See Note 37

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****35. Related parties (continued)**

	<b>2017/18</b>	<b>2016/17*</b>
	<b>R'000</b>	<b>R'000</b>
<b>Expenditure</b>		
Arts and Culture	15 471	15 871
Correctional Services	12	797
Defence	-	491
Justice and Constitutional Development	187 364	166 672
South African Police Services	88	-
The Presidency	8 355	-
	<b>211 290</b>	<b>183 831</b>
<b>Accruals raised</b>		
Arts and Culture	10	1 756
Correctional Services	12	797
Defence	-	491
Justice and Constitutional Development	10 062	8 026
South African Police Services	88	-
The Presidency	8 355	-
	<b>18 527</b>	<b>11 070</b>

\* Restated - See Note 37

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 35. Related parties (continued)

## Remuneration of management

2017/18

Official	Basic salary R'000	Non- pensionable salary R'000	Bonuses and performance related payments R'000	Post- employment benefits R'000	Other short- term employee benefits R'000	Total R'000
<b>Employees: Regional Managers</b>						
Bloemfontein (Acting)	508	47	50	60	12	677
Bloemfontein	183	13	-	28	22	246
Cape Town	827	122	130	123	56	1 258
Cape Town (Acting)	51	23	-	6	2	82
Durban	676	307	56	88	-	1 127
Johannesburg	739	172	62	117	158	1 248
Kimberley (Acting)	241	69	47	25	66	448
Kimberley (Acting)	160	48	-	21	2	231
Kimberley (Acting)	151	11	-	14	7	183
Mmabatho (Acting)	789	218	112	93	141	1 353
Mmabatho (Acting)	325	41	22	42	80	510
Nelspruit	761	362	-	121	150	1 394
Polokwane	862	90	124	120	206	1 402
Port Elizabeth	808	412	57	128	29	1 434
Pretoria (Acting)	161	80	-	20	-	261
Pretoria (Acting)	315	14	3	38	48	418
Pretoria	169	71	56	27	3	326
Umthata	615	162	-	102	81	960
<b>Employees: Other officials</b>						
Chief Director: Construction Management Inland	820	341	68	107	115	1 451
Chief Director: Financial Planning	762	323	117	121	-	1 323
<b>Exco Members: Head of units</b>						
Head of PMTE	1 000	-	-	-	-	1 000
Head of PMTE (Acting)	513	223	70	76	5	887
Head of PMTE (Acting)	901	386	-	-	-	1 287
Construction Project Management	408	122	-	53	8	591
Project Management Officer	960	411	-	-	37	1 408
Real Estate Registry Services	1 081	463	-	-	14	1 558
Supply Chain Management	720	215	94	-	1	1 030
Sub total	15 506	4 746	1 068	1 530	1 243	24 093

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**35. Related parties (continued)**

**Remuneration of management**

**2017/18 (continued)**

Official	Basic salary R'000	Non- pensionable salary R'000	Bonuses and performance related payments R'000	Post- employment benefits R'000	Other short- term employee benefits R'000	Total R'000
	15 506	4 746	1 068	1 530	1 243	24 093
<b>Sub total (brought forward)</b>						
<b>Exco Members: Deputy Director General</b>						
Real Estate Management Services (Acting)	376	54	57	44	126	657
Real Estate Management Services (Acting)	960	207	80	125	38	1 410
Real Estate Investment Services (Acting)	960	136	80	125	81	1 382
User Demand Management	799	343	69	113	24	1 348
Project Management Office (Acting)	205	58	-	33	7	303
Facilities Management (Acting)	236	44	78	38	-	396
Facilities Management (Acting)	828	159	187	107	25	1 306
Technical Finance Expert	960	411	-	-	6	1 377
	<b>20 830</b>	<b>6 158</b>	<b>1 619</b>	<b>2 115</b>	<b>1 550</b>	<b>32 272</b>

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions. Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2018

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 35. Related parties (continued)

**The following movements occurred in key management positions during 2017/18:**

- Bloemfontein Regional manager: Mr D Gqibela acted for 9 months whilst Mr TP Zulu was appointed for 3 months.
- Cape Town Regional Manager: Mr FB Johnson was appointed for 11 months whilst Ms N Kani acted for 1 month.
- Kimberley Regional Manager: Mr M Mabinja acted for 4 months, Mr V Mabe acted for 4 months and Mr R Baulackey acted for 2 months.
- Mmabatho Regional Manger: Mr R Matlala was appointed for 5 months, Mr A Matseke acted for 7 months.
- Pretoria Regional Manager: Mr M Dondashe acted for 3 months, Mr D Sewada acted for 4 months whilst Ms T Phiri was appointed for 3 months.
- Head of PMTE: Mr P Serote acted for 4 months, Ms L Bici acted for 6 months and Mr J Maroga acted for 1 month.
- Construction Project Management: Mr B Mokhothu was appointed for 5 months.
- Head: Supply Chain Management: Ms A Chowan acted for 9 months.
- Real Estate Management Services: Mr M Sithole acted for 6 months, Mr R Matlala acted for 3 months, Ms N Makhubele acted for 2 months whilst Mr M Govender acted for 1 month.
- Real Estate Investment Services: Mr P Chiapasco acted for 10 months whilst Ms S Subban acted for 2 months.
- Facilities Management: Mr J Maroga acted for 9 months, Mr S Mdakane acted for 2 months whilst Mr P Chiapasco acted for 1 month.
- Whilst being appointed as Deputy Director General: Project Management Office for 10 months, Mr MS Thobokgale acted as Head: Construction Project Management for 7 months. Thereafter Mr MS Thobokgale acted as Head: Small Harbours for 2 months.
- Mr M Govender was acting Head: Small Harbours for 10 months before he acting as Head: Real Estate Management Services.
- Ms N Makhubele was appointed as Deputy Director General: Real Estate Management Services for 2 months before acting as Deputy Director General: Project Management Office.
- The Planning & Precint branch changed reporting lines during the 2017/18 financial year and now reports under the Real Estate Investment Services.
- Mr C Mokgoro resigned as Chief Financial Officer at the end of October 2017
- Ms R Sadiki was appointed as Chief Financial Officer on 1 December 2017 and resigned at the end of April 2018.

**PROPERTY MANAGEMENT TRADING ENTITY**

Annual Financial Statements for the year ended 31 March 2018

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**35. Related parties (continued)**

2016/17

	Basic salary	Non-pensionable salary	Bonuses and performance related payments	Post-employment benefits	Other short-term employee benefits	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Employees: Regional Managers</b>						
Bloemfontein (Acting)	560	57	47	73	288	1 025
Cape Town	849	121	70	127	52	1 219
Durban	645	292	54	83	41	1 115
Johannesburg	713	159	61	114	158	1 205
Kimberley (Acting)	569	201	47	74	176	1 067
Mmabatho	692	207	57	90	193	1 239
Mthatha (Acting)	571	148	-	96	24	839
Nelspruit	751	357	-	120	153	1 381
Polokwane	851	88	70	119	178	1 306
Port Elizabeth	798	405	-	126	23	1 352
Pretoria (Acting)	604	324	-	79	75	1 082
<b>Employees: Other officials</b>						
Chief Director: Construction Management Inland	822	342	67	107	133	1 471
Chief Director: Financial Planning	696	293	57	112	2	1 160
<b>Exco Members: Head of units</b>						
Head of PMTE	3 000	-	-	-	-	3 000
Construction Project Management	222	95	-	-	60	377
Small Harbours	908	196	12	118	95	1 329
Real Estate Registry Services	1 031	442	-	-	5	1 478
Supply Chain Management	913	273	-	119	-	1 305
<b>Exco Members: Deputy Director General</b>						
Real Estate Management Services (Acting)	542	80	-	71	215	908
Asset Investment Management (Acting)	837	172	69	117	196	1 391
Planning and Precinct Development	915	126	76	119	81	1 317
User Demand Management	784	326	65	102	30	1 307
User Demand Management	378	145	53	68	26	670
Project Management	74	32	-	-	-	106
Project Management Office	916	366	-	-	87	1 369
Facilities Management	1 031	442	-	-	-	1 473
Technical Finance Expert	911	391	-	-	5	1 307
	<b>21 583</b>	<b>6 080</b>	<b>805</b>	<b>2 034</b>	<b>2 296</b>	<b>32 798</b>



## **PROPERTY MANAGEMENT TRADING ENTITY**

**Annual Financial Statements for the year ended 31 March 2018**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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#### **35. Related parties (continued)**

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions. Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan.

Management renamed the following units during the 2016/17 financial period:

- Key Accounts Management was renamed to User Demand Management
- Inner City Regeneration was renamed to Planning and Precinct Development
- Property Management was renamed to Facilities Management

During the 2016/17 financial period, the Regional Co-ordination unit was disassembled as the direct line of sight principle was adopted. The following key management officials were appointed during the 2016/17 financial period:

- Mr M Sithole was acting Real Estate Management Services for 9 months.
- Mr B Kgasoane was acting User Demand Management for 7 months.
- Ms K Khumalo was acting Project Management for 1 month.
- Mr C Lombaard was acting Construction Project Management for 3 months.

#### **36. Events after the reporting date**

The Chief Financial Officer, Ms R Sadiki, resigned at the end of April 2018.

The acting Head of Finance: PMTE, Mr M Sithole, was appointed at the beginning of May 2018.

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****37. Prior period errors**

Material differences relating to prior years were adjusted and the prior year financial statements have been restated to this effect. The impact of these errors are summarised below with the details shown separately:

**Statement of financial position****2016/17****R'000**

Decrease in receivables from exchange transactions	(146 903)
Decrease in property, plant and equipment	(13 594 772)
Increase in investment property	11 756
Increase in heritage assets	250 934
Increase in intangible assets	729
Increase in bank overdraft	(122)
Decrease in deferred revenue	280 482
Decrease in payables from exchange transactions	27 147
Decrease in finance lease obligation	714
Increase in provisions	(642 836)

**Decrease in net assets****(13 812 871)****Statement of financial performance**

Increase in revenue from exchange transactions	659 882
Decrease in revenue from non-exchange transactions	(445 360)
Increase in construction revenue	6 919
Increase in construction cost	(6 919)
Decrease in depreciation, amortisation and impairment of assets	271 459
Decrease in impairment of receivables	21 728
Increase in interest expense	(2 080)
Decrease in loss on transfer/disposal of asset	201 275
Increase in property maintenance	(528 115)
Decrease in operating leases	29
Increase in property rates	(29 169)
Increase in sundry operating expenses	(17 132)

**Increase in surplus****132 517****Decrease in opening accumulated surplus****(13 945 388)****(13 812 871)****Restatement of maintenance provision**

Management developed a model to estimate the unscheduled maintenance obligation arising for work performed by contractors whilst PMTE waits for the relevant documentation supporting the verification of work performed. Refer to note 1.1.6 and note 16 for further details.

**2016/17****R'000**

Increase in provisions	(597 161)
Increase in property maintenance	(597 161)

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****37. Prior period errors (continued)****Correction of property, plant and equipment, investment property and heritage assets**

Management identified errors in the asset registers and its calculations. Management reassessed the classification of projects to ensure that only projects capital in nature are capitalised and appropriately classified per classes. Extents and the components of the properties were verified and corrected accordingly. Useful lives were also reassessed. Management revisited the methods of determining a deemed costs for assets which were transferred effective 1 April 2013. The stage of completion of recoverable capital projects were also reassessed which impacted on deferred revenue, construction revenue and construction costs. The correction of the assets also affected the depreciation, amortisation, service in-kind revenue from non-exchange and service in-kind expense.

	<b>2016/17</b>
	<b>R'000</b>
Decrease in receivables from exchange transactions	(341 726)
Decrease in property, plant and equipment	(13 594 772)
Increase in investment property	11 756
Increase in heritage assets	250 934
Increase in intangible assets	729
Decrease in deferred revenue	280 482
Decrease in payables from exchange transactions	26 965
Decrease in finance lease obligations	714
	<b>(13 364 918)</b>
Increase in revenue from exchange transactions	659 882
Decrease in revenue from non-exchange transactions	(445 360)
Increase in construction revenue	6 919
Increase in construction costs	(6 919)
Decrease depreciation, amortisation and impairment on assets	271 459
Decrease in interest expense	217
Decrease in loss on disposal/transfer of assets	201 275
Decrease in property maintenance	69 017
Decrease in sundry operating expenses	12 109
Decrease in opening accumulated surplus	(14 133 517)
	<b>(13 364 918)</b>

**PROPERTY MANAGEMENT TRADING ENTITY****Annual Financial Statements for the year ended 31 March 2018****NOTES TO THE ANNUAL FINANCIAL STATEMENTS****37. Prior period errors (continued)****Corrections of incorrect invoices processed and allocation of unallocated deposits**

Management corrected invalid invoices which were processed on the system in the previous financial periods. These payment were rejected and remained as unpaid in the bank reconciliation. As a result of the correction, the bank overdraft and accounts payable was affected as indicated below.

	<b>2016/17</b>
	<b>R'000</b>
Increase in bank overdraft	(122)
Decrease in payables from exchange transactions	182
	<b>60</b>
Decrease in operating lease	29
Decrease in property maintenance	29
Decrease in sundry operating expenses	2
	<b>60</b>

**Correction of municipal services and property rates provision**

The payments made against the verified municipal debt population used for the calculation of the provision for the 2016/17 financial statements was incorrectly classified between the provision, the accruals and the municipal services and property rates expenditure. Management has correct the classification and adjusted the provision to reflect the outstanding balance as at 31 March 2017. The interest was recalculated based on the revised outstanding balance.

	<b>2016/17</b>
	<b>R'000</b>
Increase in receivables from exchange transactions	194 823
Increase in provision	(45 675)
	<b>149 148</b>
Decrease in impairment of receivables	21 728
Increase in interest expenses	(2 297)
Increase in property rates	(29 169)
Increase in sundry operating expenses	(29 243)
Increase in opening accumulated surplus	188 129
	<b>149 148</b>

## NOTES

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