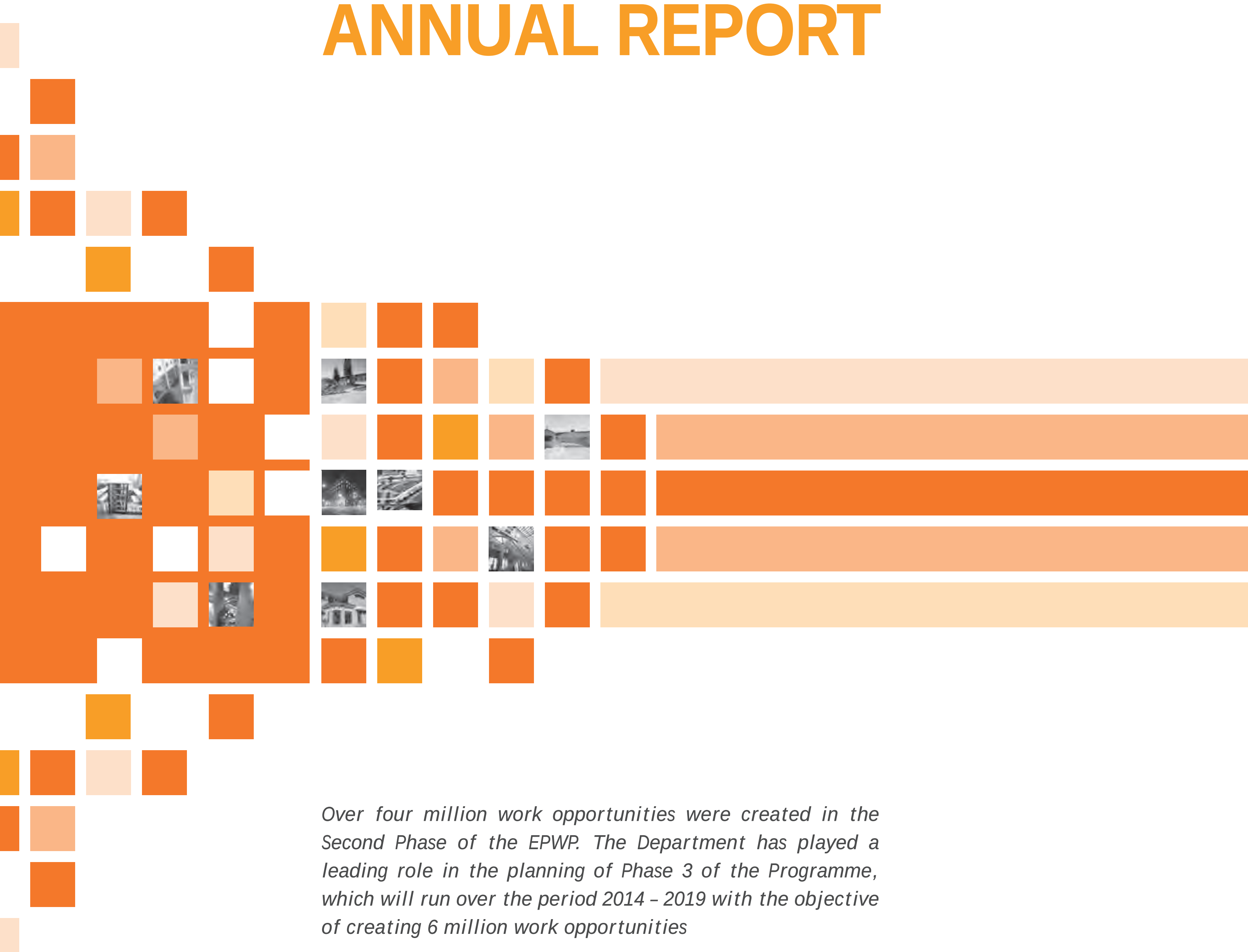
# 2013/14
# ANNUAL REPORT



*Over four million work opportunities were created in the Second Phase of the EPWP. The Department has played a leading role in the planning of Phase 3 of the Programme, which will run over the period 2014 – 2019 with the objective of creating 6 million work opportunities*


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


20 YEARS OF FREEDOM
south africa 1994 - 2014

# 2013/14
# 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 2013 to 31 March 2014

**Mr M Dlabantu**

**Director-General**

**30th September 2014**

**RP333/2014**
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# i. Contact Information

## PHYSICAL ADDRESS

Department of Public Works

CGO Building

264 Madiba Street (cnr Bosman and Madiba Streets)

Tshwane Central

0001

## PERFORMANCE INFORMATION

| | | |
|---|---|---|
| **Performance Monitoring and Evaluation Unit:** | Chief Director: Mr Lwazi Mahlangu | 012 406 2051/1977 |
| **Communication and Marketing Unit:** | Chief Director: Mr Lucky Mochalibane | 012 406 1830/1 |
| **Asset Investment Management:** | Acting Deputy Director-General: Mr Peter Chiapasco | 012 406 1063 |

## FIANANCIAL INFORMATION

| | | |
|---|---|---|
| **Finance and SCM** | Chief Financial Officer: Mr Cox Mokgoro | 012 406 2165 |
| **PMTE** | Chief Director: Mr Calvin Sehlapelo | 012 4062050 |

## GENERAL INFORMATION

| | |
|---|---|
| **Switchboard:** | 012 406 2000/3000 |
| **Fax:** | 086 276 8958 |
| **Website:** | www.publicworks.gov.za |

*Department of Public Works - CGO building*

## ii. List of Abbreviations/Acronyms

| FULL DESCRIPTION | ACRONYM |
|---|---|
| Adult Basic Education and Training | ABET |
| Annual Financial Statement | AFS |
| Agreement South Africa | ASA |
| Annual Performance Plan | APP |
| Business Intelligence | BI |
| Built Environment Professionals | BEP |
| Asset Register Management | ARM |
| Basic Accounting System | BAS |
| Black Economic Empowerment | BEE |
| Broad-Based Black Economic Empowerment | BBBEE |
| Built Environment Professions | BEPs |

*Lamberts Bay*

| FULL DESCRIPTION | ACRONYM |
|---|---|
| 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 and Technology | ICT |
| Integrated Financial Management System | IFMS |
| 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 |
| Medium Term Budget Policy Statement | MTBPS |

| FULL DESCRIPTION | ACRONYM |
|---|---|
| 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-Pro[it Organisations | NPOs |
| National Contractor Development Programme | NCDP |
| National Economic Development and Labour Council | NEDLAC |
| National Infrastructure Maintenance Strategy | NIMS |
| National Youth Service | NYS |
| Occupational Speci[ic Dispensation | OSD |
| Occupational Health and Safety Act | OHSA |
| Pan African Parliament | PAP |
| Performance Based Building | PBB |
| 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 |

| FULL DESCRIPTION | ACRONYM |
|---|---|
| Software Asset Management | SAM |
| Strategic Plan | SP |
| Strategic Performance Management | SPM |
| State-Owned Entities | SOEs |
| Spatial Development Framework | SDF |
| User Asset Management Plan | UAMP |
| Union Building | UB |
| International Union of Architects | UIA |
| User Requirement Speci[ication | URS |
| Virtual Private Network | VPN |
| Web Based Reporting Systems | WBRS |
| Workplace Skills Plan | WSP |
| Works Control System | WCS |

# CHAPTER 1 ▪ GENERAL INFORMATION

"In my 2012 Budget Vote, I likened the Department of Public Works to a patient in ICU. In 2013, with some improvements, I said that we had now stopped the bleeding and the patient was being stabilised. Today, in 2014, I can inform Honourable members that the patient is fully stabilised and responding well to medication. We confidently expect that the patient will be discharged in the very near future."

**MR TW NXESI**
**MINISTER OF PUBLIC WORKS**

# 1. Foreword by the Minister

In 2012, the Department of Public Works, in consultation with National Treasury, developed a seven-year Turnaround Plan to rebuild the Department of Public Works. This was necessary in order to address deep-rooted systemic weaknesses resulting from weak and inadequate Financial and management systems which had resulted in under performance, widespread fraud, corruption and eight consecutive years of negative audit findings, culminating in disclaimers. In the 2013/14 financial year, Public Works began to turn the corner. In my 2014 Budget Vote speech, I used the following analogy:

*"In my 2012 Budget Vote, I likened the Department of Public Works to a patient in Intensive Care Unite (ICU). In 2013, with some improvements, I said that we had now stopped the bleeding and the patient was being stabilised. Today, in 2014, I can inform Honourable members that the patient is fully stabilised and responding well to medication. We conJidently expect that the patient will be discharged in the very near future."*

The Turnaround Plan envisaged three distinct but overlapping phases: stabilisation, efficiency enhancement and sustainable growth. We are now two years into our Seven-Year Plan, during which time a number of projects and actions were undertaken to stabilise the Department, in particular:

- Leadership was stabilised with a number of permanent appointments, including that of the Director-General and the Chief Financial Officer
- With National Treasury, the Department of Public Works (DPW) conducted a review of private leases, to identify weaknesses and areas of possible fraud, and to strengthen lease management systems. The Department also negotiated a special dispensation to fast-track the re-signing of leases to prevent client evictions and irregular expenditure
- The Department has made significant progress in its project to compile a comprehensive and reliable Immovable Asset Register. Ninety five percent of the assets have been physically verified. This is a game-changer: we now have much greater knowledge of state assets and can begin to use this massive property portfolio to leverage socio-economic development and job creation

- The Clean Audit project has resulted in greatly improved audit outcomes: the Department has moved from a disclaimer to an unqualified audit for the DPW Main Vote and from a disclaimer to a qualified opinion on the PMTE Account. It remains a priority for the Department to continue to work closely with the Office of the Auditor-General to address the outstanding audit issues.

During the current financial year, the Department continued to consolidate the gains of the stabilisation phase of the Turnaround, particularly in relation to further improving audit outcomes, strengthening lease management and further work on the Immovable Asset Register. At the same time, the Department is moving decisively into the second phase of the Turnaround: Enhanced Efficiency – where the focus is on improving the way that the Department does business.

As the main focus of the next five years, we seek to enhance the efficiency of our current business operations – employing better planning and performance management tools. Strategies and principles to guide this second phase of the Turnaround include:

- The operationalisation of the Governance, Risk and Compliance Branch to spearhead the drive against fraud and corruption, to drive the second phase of turnaround through improved planning, risk management, monitoring and evaluation and performance management
- This has to be combined with change management, improved communication and strategies to improve the work culture
- In line with the requirements of the Department of Public Service and Administration (DPSA), the DPW will develop a new Service Delivery Model and Service Delivery Improvement Plan to kick-start the efficiency enhancements envisaged in the second phase of the Turnaround
- The Department will also enhance coordination and teamwork (particularly in the construction environment), breaking down the silos which have existed between branches and units
- In this second phase, we have flagged the need for a major shift to a more client-centric approach – so that we get buy-in of clients and we improve our service to them
- All these improvements need to be underpinned by a much more robust, comprehensive and integrated Information and Communication Technology (ICT) platform – as part of process re-engineering.

During the next five years of this new Administration, I have announced the following five priority areas:

- The creation of six million work opportunities for poor and unemployed people through the labour-intensive delivery of public services and infrastructure. Public employment Programmes must facilitate community participation, provide tangible benefits to communities and the society and the economy. This is the single most important commitment and deliverable for this Department over the next five years, and will be driven by Deputy Minister Cronin.
- The operationalisation of the Property Management Trading Entity (PMTE), as directed by Cabinet, and the transformation of the core property business of DPW (including construction management). This necessarily includes a Programme to rebuild technical and professional capacity.

  The groundwork for the PMTE has been done. Our proposals have been presented to Cabinet; we now have to pick up the pace of implementation, mindful that we have two very different imperatives: on the one hand, we seek to professionalise the property business – drawing on best practice from the private sector, but we also have to keep in mind that our major deliverables remain in the non-profit service delivery sphere, in particular: the provision of land for human settlement and land reform; the provision of accommodation to government; black and female empowerment ; transformation of the Built Environment and the provision of spatial planning services to small rural towns.

The concept of the PMTE has been clarified. We have ring-fenced and created the Trading Account. Now we need to build the business.

- The operationalisation of the Governance, Risk and Compliance branch to drive anti-corruption and to spearhead the second phase of the Turnaround – Efficiency Enhancement - using the tools of planning, SDM processes and performance management. This, I believe, could well become a benchmark for anti-corruption, good governance and compliance in the public sector generally.
- In partnership with our entities, the charter councils and relevant stakeholders, the Department is developing a Programme of action to transform the Built Environment – the construction and property sectors – as part of the second more radical phase of transition to democracy.

  This must include support for black and female contractors and property practitioners; as well as the production of black professionals and artisans in the Built Environment disciplines. We cannot be complacent that only 24% of built environment professionals are black and only 9% are female. I have now started a process of consultation with stakeholders to accelerate the pace of transformation in the Built Environment sectors.
- In consultation with all stakeholders – particularly the wider Public Works family in the provinces – the Department will carry out a policy review, culminating in a Public Works Act. This will provide a solid foundation for the third phase of Turnaround: Sustainable Growth, and will clarify and refresh the mandate of Public Works.

**MR T. W. NXESI (MP)**

**MINISTER OF PUBLIC WORKS**

"Over four million work opportunities were created in the Second Phase of the EPWP. Based on the success of Phase 2 of the EPWP, and working closely with our partners, the Department has played a leading role in the planning of Phase 3 of the Programme, which will run over the period 2014 – 2019 with the objective of creating 6 million work opportunities in Phase 3."

**MR. J. CRONIN (MP)**
**DEPUTY MINISTER OF PUBLIC WORKS**

## 1.2 Statement of the Deputy Minister

Over the past three years, the Turnaround Plan for the Department of Public Works has inevitably involved considerable energy being focused inward on:

- Stabilising the senior leadership
- Working with National Treasury to review private leases in order to identify vulnerabilities to fraud
- A major effort at cleaning up and compiling a comprehensive Immovable Asset Register
- The related endeavour to ensure greatly improved audit outcomes.

With tangible progress now being made on these and other fronts over the past reporting financial year 2013/14, the Department has also increasingly been able to focus with greater purpose on a range of other areas of responsibility.

March 2014 marked the completion of the second five-year phase of South Africa's Expanded Public Works Programme (EPWP). Over four million work opportunities were created in the second phase of the EPWP. In many respects, South Africa's EPWP is globally innovative. The Programme involves the participation of many national departments, all provinces and municipalities – rather than being a single line budget item that runs through one department. South Africa has been a global pioneer in deploying Public Employment Programmes (PEPs) into the environmental sector. The wide array of social sector PEPs (ranging from home-based care through to school homework supervision and sports coaching) is also internationally unique. Over the past few years, through the non-profit EPWP sector and through the Community Work Programme (CWP), our PEPs have also increasingly involved working closely with Non-governmental Organisations (NGOs) and community-based formations.

The Department of Public Works is the lead department for the infrastructure sector within the overall EPWP, but also plays an overall co-ordinating and support role for the entire Programme. Based on the success of Phase 2 of the EPWP, and working closely with our partners, the Department has played a leading role in the planning of Phase 3 of the Programme, which will run over the period 2014 - 2019.

The objective is to target six million work opportunities in Phase 3. An improved monitoring and evaluation of the developmental impact of these Programmes is also envisaged. This will involve ensuring a better understanding of the impact that the range of projects make on the participants themselves, and on the communities in which PEPs are producing assets and providing services. In line with the National Development Plan, the Department is committed to ensuring the significant expansion and sustainability of the PEPs.

With increased stabilisation within the Department itself, over the past year it has been possible to pay greater attention to the four public entities that report to the Department of Public Works – the Construction Industry Development Board (cidb), the Council for the Built Environment (CBE), the Independent Development Trust (IDT), and Agrément South Africa (ASA). In particular, the Department, working with National Treasury, is involved in a major review of the scheduling, funding and institutional set-up of the IDT. The IDT plays a unique role in ensuring social facilitation and community consultation in the Programme and project management of social infrastructure construction. It is important that this critical developmental capacity is enhanced and placed onto a sustainable footing.

Stabilisation within the Department has also created conditions for taking forward other critical responsibilities that had tended to fall by the way-side in recent years. The Bill of Rights in South Africa's 1996 Constitution calls for legislation that will provide a law of general application to guide acts of expropriation. In 2008, the Department gazetted a draft Expropriation Bill, but then abandoned the initiative.

In 2013/14, this work was taken up again with renewed intensity. In February 2013, Cabinet approved the gazetting for public comment of an Expropriation Bill. In 2013, the Department successfully piloted the Bill through the National Economic Development and Labour Council (NEDLAC), and it is envisaged that a version of this Bill will now be introduced into Parliament in the course of 2014.

In short, important progress made in the stabilisation of the Department is increasingly enabling the Department to also assume an effective role within its wider mandate.

**MR. J. CRONIN (MP)**

**DEPUTY MINISTER OF PUBLIC WORKS**

"Having gone through the stabilisation phase of the turnaround strategy, a number of key challenges reported in the previous annual report are now been addressed in a bid to reverse the deteriorating levels of the Department's performance resulting in negative audit opinion in the form of disclaimers and qualifications "

**MR. MZIWONKE DLABANTU**
**ACCOUNTING OFFICER**

# 1.3 Report of the Accounting Officer

## 1.3.1 OVERVIEW

The period under review, represents a significant milestone in the Department's journey towards improved service delivery, performance and compliance following the introduction of the Turnaround Plan in 2011/12. This Plan had set the Department on a new course for recovery and unleashed its energies to accelerate service delivery, promote economic growth, job creation, and infrastructural development and properly manage the state's immovable assets.

Having gone through the stabilisation phase of the turnaround strategy, a number of key challenges reported in the previous annual report are now being addressed in a bid to reverse the deteriorating levels of the Department's performance, resulting in negative audit opinion in the form of disclaimers and qualifications. Most initiatives proposed under the stabilisation phase are already at advanced stages of implementation, leading the Department into the second phase of efficiency enhancement.

One of the key initiatives has been the adoption of the Infrastructure Delivery Management System (IDMS) that will serve as a catalyst to improve the delivery of infrastructure. Others included the development of a Service Delivery Improvement Plan (SDIP), the establishment of a 'war room' under the Supply Chain Management (SCM) to deal with procurement delays and backlogs, a revised organisational structure that will enhance delineation of the different roles and responsibilities, the appointment of built environment professionals and efforts to operationalise the Property Management Trading Entity (PMTE).

The success of these interventions will be dependent on visible progress in addressing the following areas:

- **Skilled and capable workforce to deliver on the mandate of the Department**

As part of its mandate, and in carrying out its core functions, the Department of Public Works operates in both the property and the construction management sectors, primarily as the custodian and provider of the state's physical accommodation requirements. Both these sectors are specialist-intensive in terms of requisite skills for which enormous investment in the skills pipeline is required to identify, recruit and develop appropriate professional and other technical skills relevant to the core business of the Department, being tangible immovable asset management, property, facilities and construction management. In contributing to the government outcome of job creation, the Department has been driving and coordinating the labour intensive Expanded Public Works Programme across the government and the non-state sector. This responsibility requires extensive technical capacity particularly at the implementation level without which government will not meet its increased job creation targets.

Until recently, the Department's organisational structure was not configured to address the full extent of specialist skills necessary to execute the tasks pertinent to the core functions, and this proved to be an impediment in the delivery of required services. This point is clearly demonstrated in the construction management environment where the ratio spread of construction projects to a project manager currently stands at 1:20+ compared to the industry average of 1:5, indicating the dearth of the built environment specialists needed to fulfil the mandate of the Department. The result is the poor rate of infrastructure delivery characterised by budget under-expenditure and client frustrations.

The low rate of professional registration for the candidates with built environment qualifications is further compounding the skills problem. The situation is mirrored in the property and facilities management environment where as a consequence, the Organisation has been unable to manage the lease component of its business adequately.

Given the role of the state and the resources at its disposal to procure goods and services, the procurement environment has become increasingly competitive and demanding, requiring adept supply chain management expertise in direct support of the core business. Government has also stepped up interventions to alleviate poverty and create work opportunities using allocated resources to implement labour intensive methods in the delivery of goods and other services, often with limited success, particularly at the local government level where lack of technical capacity remains a challenge.

With the impending launch of the up scaled third phase of the EPWP, the Department has identified the skills gap in the implementation of the EPWP by public bodies, and to this end will continue to strengthen cooperation with non-governmental and private sector agencies, including the International Labour Organisation to provide technical training to the local implementing public bodies in an effort to entrench EPWP guidelines to increase productivity and job creation.

In addressing the skills imbalance challenges, and in effecting clear interventions to the low levels of critical skills supply, capacity constraints and a lack of technical and professional skills pool resulting in the misalignment of responsibilities and dearth of technical competencies, the Department has prioritised the review of the organisational structure. The new structure among others, seeks to maximise the number of critical positions necessary for the core business.

In an effort to promote the healthy skills pipeline in the built environment, the Department has intensified the learnership and internship Programmes and other construction artisanship initiatives. Based on the bursary policy, the Department has partnered with the Construction Education and Training Authority (CETA) and the Department of Basic Education to step up the number of bursaries awarded to external candidates willing to pursue careers in the construction and built environment industry. The Young Professionals Programme in the Department will continue to encourage qualified candidates to attain professional registration with relevant professional bodies, to become practitioners.

As part of its turnaround, the Department has taken a strategic decision to capacitate the core branches as well as operationalise the PMTE. This process will entail clustering property related functions and identifying strategic support services that will be shared between the Department and PMTE.

- **Infrastructure under-expenditure**

The Department has had to contend with the challenge of infrastructure under-expenditure necessitating a thorough analysis of its infrastructure delivery value chain. In addition to capacity constraints, the quality of planning was also identified as the primary reason for under- expenditure.

In response, the Construction Management Programme identified a number of key challenges related, inter alia, to inadequate management and control of projects, scoping of projects, poor planning and design, and funding allocations not aligned to project delivery. As elaborated further below, remedial measures to overhaul the Department's project delivery were considered and have been implemented. These relate to the institutionalisation of the Infrastructure Delivery Improvement Programme (IDIP) and the implementation of the Infrastructure Delivery Management System (IDMS).

- **Improving immovable asset life cycle management**

The Department's immovable asset lifecycle management strategy remains centred around Asset Investment Management (planning and optimising returns from the asset portfolio), Property and Facilities Management (ensuring properties are conducive for use and income is collected) and Construction Management (ensuring sufficient property stock for the requirements of User Departments).

The Asset Investment Management Programme focused on the enhancement of the Department's immovable asset register during the year under review, reconciling property data with that on the asset registers of all provincial custodians, without which comprehensive implementation of the asset investment management function has not been possible. Moving forward, the function will be strengthened through the development of an Immovable Asset Management Framework with associated Investment and Property Performance standards to inform portfolio operations and ensure compliance with applicable legislation, based on accurate asset register information now available.

The Property and Facilities Management Programme continued to be implemented primarily in the Department's eleven 11 regional offices. Co-ordination of the management of the numerous offices presented a significant challenge across the various competencies. The approach to regional coordination will be reviewed to align with PMTE requirements for more efficient institutional arrangements and as a product of the new business model being developed.

As previously mentioned, and as identified in the Department's turnaround initiative, many of the skills to implement these functions do not exist within the Department, leading to the need to professionalise the core functions. For a number of these competencies, however, job categories and descriptions do not exist within the Public Service. Moving forward, occupational classes will need to be created to ensure the recruitment and remuneration of appropriately skilled professionals at the right levels in all areas of the Department's Immovable Asset Management Programme to enable required levels of portfolio performance.

The Government Immovable Asset Management Act (GIAMA), Act 19 of 2007 was promulgated on 27 November 2007 to provide a uniform framework for the management of immovable assets, to ensure that the use of immovable assets is in accordance with service delivery objectives of National and Provincial departments, and to optimise the cost of service delivery.

User Asset Management Plans (U-AMPs) and the Custodian Asset Management Plan (C-AMP) are the key instruments for compliance with the abovementioned legislation and appropriate portfolio planning.

During the year under review, only seven U-AMPs were developed and submitted by the Department's 51 User Departments for consideration. As a result, the Department has been unable to complete a meaningful C-AMP and fulfill its custodial obligations to the required standard. It continues to work in an unplanned, reactive mode, for which it is lambasted for its inability to render appropriate accommodation services. Since U-AMPs are the principal immovable asset strategic planning instrument which guide and inform all immovable asset management decisions by the User, the Department has embarked on a process with National Treasury, moving forward, for these to be submitted by User Departments as mandatory "bidding documents" during annual Medium Term Expenditure Framework (MTEF) processes.

The U-AMPs and C-AMP, in the application of the IDMS throughout the asset management lifecycle, will translate into annual infrastructure implementation Programmes that will ensure greater project readiness, appropriate-planned asset solutions and improved project budgeting, aligned to accurate cash flow projections.

As accurate forward planning will be essential in the timely delivery of accommodation infrastructure aligned to funding, Departmental units involved in the project delivery cycle will follow IDMS-stipulated processes and prescribed planning, budgeting and implementation timeframes. Of key importance, U-AMPs will be required to be compiled by Users on an annual basis (3 years in advance) in accordance with Medium Term Strategic Framework (MTSF) and Medium Term Expenditure Framework (MTEF) cycles.

The envisaged outcome of this intervention will be the delivery of required accommodation services on time, qualitatively and within budget.

- **Business Model**

The achievement of the Departmental objectives requires a business model with clearly defined set of processes to fully deliver on projects, property and other areas relating to its mandate. Over the years, the Departmental processes have not kept pace with industry developments and the best practices leading to a disjuncture between the core business and the support services. This is evidenced, inter alia, in the ICT, Human Resources (HR) and SCM environments which have not been aligned to the requirements of the core business. Roles and responsibilities of individual operations have also become blurred, impacting on accountability and performance. In addressing these issues during the year under review, the Department has revisited the organisational structure and has commenced with the development of an appropriate business model that will enable the delivery of its mandate and objectives.

The success of this model will be championed by effective planning, budgeting, monitoring and reporting on the progress of these activities.

- **Fraud and Corruption**

The extent of allegations investigated in this regard, validates the Department's perception that fraud and corruption is a strategic risk to the achievement of the goals and objectives that has set in line with the Minimum Anti-Corruption Capacity requirements applicable to the Public Service, a minimum capacity to combat fraud and corruption has been established. These include measures to prevent fraud and corruption from occurring, and where prevention has failed, to detect, investigate and resolve incidents accordingly.

During the year under review, the Anti-Corruption Policy and Strategy was revised, and a Whistle-Blowing Policy and developed to encourage all stakeholders to report incidents of fraud and corruption without fear of victimisation. These instruments reflect and underline the commitment to a zero-tolerance approach to fraud and corruption, in line with the Principles of the Public Service Anti-Corruption Strategy. In efforts to create awareness of the scourge of fraud and corruption and to encourage whistle-blowing, for the five-year period ending March 2014, a total of 92 Fraud/Corruption

Awareness workshops were conducted across the Department, targeting all officials regardless of their seniority.

In seeking to prevent fraud and corruption in the Department, appropriate recognition has also been given to the correlation between organisational efficiency and corruption. In this regard, the implementation of the Infrastructure Delivery Management System recognises the need for a methodology to deliver infrastructure, whether by means of construction or leasing, that establishes an orderly and systematic control regime that isolates non-compliance and malpractice.

The Department is also embarking on a pilot transparency project on infrastructure delivery that would ultimately entail the public disclosure of relevant project information into the public domain. This is intended to stimulate informed public reaction, and when operational, would expose the capacity of the Department as an agent of government's accommodation needs and expose the capacity of government clients to plan their infrastructure needs, and expose the capacity of contractors and landlords to deliver quality infrastructure with value for money to the state. The system of transparency will also serve as a deterrent to fraudulent and corrupt behavior at all stages of the infrastructure delivery process.

- **Reported Irregular Expenditure**

The Department and in particular PMTE, is reporting significantly increased levels of irregular expenditure. This is the outcome of a deep diagnostic done by the Department in response to the recommendation of the AGSA in the 2011/12 audit report. In this regard, the Department and PMTE have completed the revision of more than 1.3 million transactions with a total rand value of approximately R87.6 billion to identify further irregular expenditure, thereby ensuring completeness of disclosure. From this exercise, more than 394 820 transactions (29% of the total transactions) were identified as irregular with a rand value of R35 billion (40% of total value of transactions reviewed) for the two institutions. A further analysis of these transactions identified that the lion's share of these transactions were the result of processes that were systemic in nature which were not being complied with, that is the applications of inappropriate SCM processes within the areas of leases and procurement of infrastructure projects. The process to revise these inappropriate SCM processes is underway. In this regard, the Department is working closely with the Office of the Chief Procurement Officer in National Treasury to effect and process fundamental changes that may be required.

Due to the extent and nature of this intervention covering transactions processed over a period of five years, much has been achieved to expose the non-compliance with regulatory processes and prescripts. This is evidenced by the extensive amount declared as being irregular. Notwithstanding this extraordinary effort, an agreement could not be reached with the AGSA that this disclosure is complete and accurate and therefore this matter remains qualified. It is the intention to re-submit all prior years' information for full verification by the AGSA during the next interim audit in order to finally resolve this historic scourge that has been exposed through intensive transformation initiatives.

The transactions that have to-date been identified to be the result of dubious practices have all been referred to the Special Investigations Unit (SIU), the Public Protector as well as the Department's Fraud Awareness and Investigations Unit. The process to identify further transactions from similar incidences will follow this diagnostics and appropriate action will be taken against perpetrators. The Department has bolstered its internal First-line of investigative capacity to ensure that this all-important task is completed expeditiously in the new financial year.

## 1.3.2 SIGNIFICANT EVENTS AND MAJOR PROJECTS DURING THE YEAR

- **Operation Projects Overhaul**

The case for the overhaul of the Department's infrastructure projects delivery is informed by the slow rate of delivery and the recurring problem of under expenditure. This will be achieved by tightly managing the completion of service delivery agreements, C-AMPs and U-AMPs, issuance of comprehensive procurement instructions, timeouts procurement of consultants and contractors and delivery of infrastructure projects in order to align with the National Treasury MTEF cycle, Performance targets been agreed upon as well as achieve the aforementioned as a sustainable long-term intervention to address all future infrastructure delivery.

- **Asset Register Enhancement Project**

A key turnaround project during the year was the significant enhancement of the Department's Immovable Asset Register. In the first of three years set for this project, the register was improved, with commensurate audit outcomes in 2012/13, based on completeness of land parcels in Deeds reconciliations. Extensive engagement with National and Provincial custodians to analyse and reconcile registered land, led to improved State immovable asset registers as a whole. A subproject to physically verify land parcels and buildings was 95% complete as at the end of the financial year. Besides optimising service delivery for clients departments and reducing the cost of accommodation, the objective of the project is to optimise the returns from the State's portfolio, going forward.

The determination of fair value for all immovable assets encompasses an important element of the Immovable Asset enhancement project. As at 1 April 2013, the Department transferred properties to the PMTE with a carrying value of R3.6 billion which comprised a number of different valuation methods. In accordance with the transitional provisions as per Directive 2 of the Accounting Standards Board, certain properties are now reflected at provisional amounts. To give effect to the application of Generally Recognised Accounting Practice (GRAP) as required for the PMTE, municipal values were applied to 4 134 Investment properties to date, amounting to R3.9 billion. The remainder of the properties will also be reflected at Municipal Values by 31 March 2016, which will lead to a significant increase in the valuation of the portfolio of immovable assets under the custodianship of the PMTE.

- **Joint Teams on Professional Services**

The Department has put in place Technical Joint Teams for six priority clients departments consisting of Built Environment Professionals in the disciplines of Architecture, Quantity Surveying, Civil Engineering, Structural Engineering, Electrical Engineering, and Mechanical Engineering. These Joint Teams have enabled the User Departments and the Department to leverage from the expertise provided to make proper infrastructure and accommodation plans.

- **Property Management - Lease Review Process**

The Department embarked on a lease review process with the assistance of the National Treasury. The lease review dealt with the backlog of leases, imminent expiring leases, business processes and the Department's lease contracts. A comprehensive review of leased properties was completed and included their physical verification. A Lease Management Policy and Strategy is currently being finalised as part of business processes re-engineering for the lease portfolio.

- **Property and Facilities Management**

The Department developed Property and Facilities Management prescripts encompassing Policy, Strategy, Specifications Guidelines and Contracts Document for facilities management and a policy on leasing in relation to energy efficiency initiatives. The Department participated in the Inter-departmental Task Team and contributed to the development and implementation of pilot interventions such as Energy Performance Certificates (EPC), Vertical-Nationally Appropriate Mitigation Actions (V-NAMA) and Energy Efficiency through Smart Metering. A Green Building Policy and Business Case contributing to the National Climate Change Strategy were developed.

- **Information Communication Technology Overhaul**

Information Communications Technology (ICT) is a critical enabler and provides support to the core business of the Department. As a result, a new trajectory of increasing the reach of ICT into all facets of the business areas is being pursued. A phased approach over the next five years will entail a key revamp of the ICT portal to allow for enhanced communication with internal and external users. This demands mobility technology with real time on-demand access to information. Phase 1 has commenced with an infrastructure upgrade, including the planned establishment of Disaster Recovery and Business Continuity centers.

- **Governance, Risk and Compliance**

The Department is improving its governance structures and processes to improve efficiencies, strategic management and decision-making. These initiatives are intended to ensure optimum utilisation of resources and promote compliance. In recognition, the Department has commenced with the process of establishing governance, risk and compliance function.

- **Property Management Trading Entity (PMTE)**

The operationalisation of the PMTE has been a key focus area to improve service delivery to User Departments in relation to the provision and servicing of their current and future accommodation requirements. During the period under review, all property management functions were formally transferred from the Department to the PMTE. Although the PMTE is an organisational component of the Department, it has the status of a Trading Entity approved by the National Treasury in terms of the Public Finance Management Act. This functional transfer was comprehensive in nature and, inter alia, included all related assets, legal obligations, systems and staff to ensure a seamless transition.

To improve the efficiencies within the PMTE, a comprehensive organisational structure was developed to address key operational requirements and also to comply with regulatory requirements applicable to trading entities. The applicable GRAP accounting standards on immovable assets have placed extended functional obligations on the relevant units to value and depreciate assets and lay the basis for sound property management and reporting in the future.

Owing to the extent and nature of the assets and liabilities transferred to the PMTE, it was considered necessary for the Department to apply the transitional arrangements outlined in Directive 2 "Transitional Provisions for Public Entities, Trading Entities, Municipal Entities and Constitutional Institutions" issued by the Accounting Standards Board. Directive 2 provides the PMTE with a maximum period of three years to ensure correct valuation and complete disclosure of all assets and liabilities affected by the functional transfer.

The transformation interventions initiated in the PMTE together with the adoption of GRAP has also revealed a number of areas that will need particular further attention. In this regard, the disclosure of irregular expenditure in the PMTE is a matter which has given rise to a major concern. As already indicated, all prior year transactions of the PMTE, going back to the 2009/10 financial year, were comprehensively reviewed during the reporting period. This encompassed a major effort where 909 878 transactions with a total value of R59.2 billion were reviewed in detail. The updated irregular expenditure for this extended period is now disclosed in the financial statements. Furthermore, it was also decided to deviate from the historic dispensation where only PMTE irregular expenditure is disclosed in the financial statements of the PMTE. For the first time, all irregular expenditure incurred in the application of the budgets of all client departments for this extended period is also disclosed in the financial statements of the PMTE.

There is technical and ethical justification for this adjusted disclosure. In this regard, consideration was given as to whether the PMTE is acting as an agent on behalf of User Departments or as a principal in own right. Because decision-making ability, accountability, credit risk and value added processes rest with the PMTE, management came to the conclusion that the PMTE is in fact acting as a principal in own right and not an agent, and can therefore not expect of User Departments to take accountability for such transgressions. This is also in line with National Treasury directives focussing due consideration on who actually receives goods and services when transgressions occur.

As a result of the above review undertaken by the PMTE and the revised method of disclosure of irregular expenditure to include User Departments' funds, there has been a significant increase in the disclosure to R34.4 billion. All of these transgressions will be fully investigated and accountability determined in the new financial year.

It was also determined that existing lease agreements pose a significant risk from a regularity perspective and need to be subjected to validity checks. Therefore all lease agreements which are in force were closely scrutinised as a priority deliverable during the reporting period. It was found that there are many discrepancies between payments made and supporting contractual agreements. Owing to time constraints, however, these could not be followed up with affected landlords and User Departments, and resolved before the financial year-end.

To cover any potential exposure that may arise from such discrepancies, management has adopted a conservative approach by raising liability provisions that will cover potential differences. There are approximately 2 236 leases which are affected that span multiple years. Because of the risks and uncertainty affecting financial disclosures, this function has remained qualified in the opinion of the AGSA. However each irregular transaction will be investigated and resolved on a case-by-case basis in the new financial year and appropriate action taken to protect the interests of the State.

The PMTE has also acquired software during the period under review that will enable automated billing and GRAP accounting. This software is currently being customised to meet all operational requirements. When this system is implemented in the next financial year, it will introduce a completely new dispensation in terms of which national departments are charged for accommodation. Where national departments have historically been billed for accommodation based on the "Framework for the Devolution of Budget and the Introduction of Accommodation Charges" since 2006, this will now gear the PMTE to bill clients for actual accommodation occupied and charged for at rates approved by National Treasury. This will unavoidably lead to a fundamental review of the budgets of User Departments under the direction and auspices of National Treasury and will, therefore, be implemented on a future date to be agreed upon with National Treasury.

- **Security Measures: Nkandla**

In October 2012, the Minister ordered an investigation into the conduct and management of security upgrades implemented by the Department at the President's residence in Nkandla, KwaZulu-Natal. The Task Team responsible for this investigation submitted their report in January 2013 and made a number of recommendations that have a bearing on the Department.

Based on the recommendations of the Task Team, the Department referred the matter to the South African Police Services (SAPS) on 18 December 2013, with a view to investigating any acts of criminality or wrongdoing perpetrated during the upgrade. In this regard, the SIU has also been mandated by the President, in terms of Proclamation R59 of 2013 issued on 20 December 2013 to conduct an investigation into the affairs of the Department with respect to the security upgrade. Furthermore, a change programme is being implemented in DPW that seeks to build on three fundamentals underlying infrastructure delivery to alleviate concerns that it did not have adequate policies and practices for the management and control of particular Prestige Projects. These include business process re-engineering through the implementation of the

Infrastructure Delivery Management System (IDMS); resource capacity development (training and professionalisation of the services), and governance and accountability improvements.

Further, it was recommended that the Department should apportion the total expenditure incurred on the Project for the purpose of allocating costs to and invoicing relevant stakeholders. The Department engaged in an exercise to calculate an apportionment of the cost between the different User Departments. Correspondence for the recovery of some of the costs was sent to respective departments. Cost apportionment to other stakeholders is still under consideration.

The Task Team recommended that irregularities that were identified should be further investigated and any professionals who might be found to have acted unethically should be reported to relevant professional bodies and/or institutions. It was also recommended that immediate disciplinary measures be instituted against any government officials who are implicated. Finally, the Task Team recommended that the State Security Agency (SSA) conducts comprehensive vetting of all Supply Chain Management personnel within the Department. In March 2014, clearances were issued for 72 of 218 SCM officials nationally. The remaining 146 officials were at various stages of the vetting process (121 of these applications are in the SSA clearance process – 70 already processed - while the vetting Field-work has commenced in DPW for the remaining 25 officials).

### 1.3.3. OVERVIEW OF FINANCIAL RESULTS

*Programme Revenue*

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

**Table 1: Revenue receipts**

| Departmental receipts | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | 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 | 4 720 | 3 859 | 861 | 31 912 | 32 017 | (105) |
| Fines, penalties and forfeits | 18 | 4 | 14 | 17 | 3 | 14 |
| Interest, dividends and rent on land | 5 702 | 1 326 | 4 376 | 546 | 7 835 | (7 289) |
| Sale of capital assets | - | 77 | (77) | 1 454 | - | 1,453 |
| Financial transactions in assets and liabilities | 1 948 | 50 204 | (48 256) | 2 516 | 13 940 | (11 424) |
| **Total Departmental receipts** | **12 388** | **55 470** | **(43 082)** | **36 445** | **53 795** | **(17 350)** |

The Department collected R55.5 million as per the different categories reflected in the table above. The increase in financial transactions in assets and liabilities was not anticipated, hence the substantial increase in the estimates for the relevant two financial years. Interest earned is largely collected from advances made to public entities.

The Department provides free accommodation to a number of Chapter 9 institutions based on the 2006 devolution principles. This was done on the basis of the commitment on the Department's budget at that stage. This arrangement was formalised through the '*Framework For The Devolution of Budgets and Introduction of Accommodation Charges*'. The amount paid in the current year under review is R82 million (2012/13: R77 million) and future commitment payments of R54 million (2012/13: R52 million). The budget for these institutions will be transferred to the relevant entities in the 2015/16 financial year.

A total of R7.8 million has been written off as bad debts. A significant portion of the debts relates to staff debts of ex-employees.

- **Budget Allocation 2013/14**

The Department's adjusted appropriation for the year under review was R6.175 billion, a 22% decrease compared to the 2012/13 financial year's adjusted appropriation of R7.891 billion. The significant reduction in the budget allocation was due to the phasing out of the devolution of the property rates fund grant to provinces within the Immovable Asset Management Programme effective from 1 April 2013. The vote appropriation is divided into five Programmes as follows:

**Table 2: Budget allocation**

| Programmes | 2013/14 | 2012/13 | Variance as % |
|---|---|---|---|
| | R`000 | R`000 | |
| Administration | 1,132,506 | 1,004,964 | 13% |
| Immovable Asset Management | 2,967,632 | 5,052,937 | -41% |
| Expanded Public Works Programme | 1,937,277 | 1,729,072 | 12% |
| Property and Construction Industry Policy Regulations | 36,682 | 37,436 | -2% |
| Auxiliary and Associated Services | 101,164 | 66,839 | 51% |
| **Totals** | **6,175,261** | **7,891,248** | **-22%** |

As depicted in the table below, the bulk of the appropriated financial resources (79%) are allocated between Immovable Asset Management (48%) and Expanded Public Works Programme (31%). These two Programmes represent the core of the Department's mandate or deliverables.

**Table 3: Budget allocation per Programme**

| Programmes | R`000 | Allocation as% |
|---|---|---|
| Programme 1: Administration | 1,132,506 | 18% |
| Programme 2: Immovable Asset Management | 2,967,632 | 48% |
| Programme 3: Expanded Public Works Programme | 1,937,277 | 31% |
| Programme 4: Property and Construction Industry PolicyRegulations | 36,682 | 1% |
| Programme 5: Auxiliary and Associated Services | 101,164 | 2% |
| **Total** | **6,175,261** | **100%** |

- **Expenditure Analysis**

A summary of the Department's financial performance is provided in Tables 2, 3 and 4 below which shows the overall budget and expenditure as well as spending per economic classification.

**Table 4: Overall expenditure analysis**

| | 2013/14 | 2012/13 |
|---|---|---|
| Budget Allocation | 6.175 billion | 7.891 billion |
| Actual Expenditure | 6.022 billion | 7.203 billion |
| **Actual: Budget %** | **97.5%** | **91.3%** |
| Unspent Funds | 153 million | 687 million |
| **Pecentage of Actual: Unspent Budget** | **2.5%** | **8.7%** |

**Table 5: Expenditure analysis per Programme**

| | 2013/14 | | | | 2012/13 | | |
|---|---|---|---|---|---|---|---|
| | Final Appropriation | Actual Expenditure | Vari ance | Expenditure as % | Final Appropriation | Actual Expenditure | Expenditure as % |
| | R'000 | R'000 | R'000 | % | R'000 | R'000 | % |
| Administration | 1,132,506 | 1,099,051 | 33,455 | 97.0% | 1,004,964 | 856,185 | 85.2% |
| Immovable Asset Management | 2,967,632 | 2,862,229 | 105,403 | 96.4% | 5,052,937 | 4,563,501 | 90.3% |
| Expanded Public Works Programme | 1,937,277 | 1,931,690 | 5,587 | 99.7% | 1,729,072 | 1,704,051 | 98.6% |
| Property and Construction Industry Policy Regulations | 36,682 | 32,758 | 3,924 | 89.3% | 37,436 | 26,858 | 71.7% |
| Auxiliary and Associated Services | 101,164 | 96,926 | 4,238 | 95.8 % | 66,839 | 53,330 | 79.8% |
| **Totals** | **6,175,261** | **6,022,654** | **152,607** | **97.5%** | **7,891,248** | **7,203,925** | **91.3%** |

**Table 6: Spending per economic classification – DPW**

| | 2013/14 | | | | 2012/13 | | |
|---|---|---|---|---|---|---|---|
| | Final Appropriation | Actual Expenditure | Variance | Expenditure as % | Final Appropriation | Actual Expenditure | Expenditure as % |
| | R'000 | R'000 | R'000 | % | R'000 | R'000 | % |
| **Current payments** | | | | | | | |
| Compen sation of employees | 1,480,628 | 1,471,497 | 9,131 | 99.4 % | 1,381,450 | 1,374,552 | 99.5% |
| Goods and services | 1,363,305 | 1,315,755 | 47,550 | 96.5 % | 1,203,845 | 977,014 | 81.2% |
| Interest and rent on land | - | - | - | - | 9,774 | 21 | 0.2% |
| **Transfers and subsidies** | | | | | | | |
| Provinces and municipalities | 1,225,778 | 1,221,445 | 4,333 | 99.6 % | 3,090,982 | 2,969,955 | 96.1% |
| Departmental agencies and accounts | 803,694 | 802,412 | 1,282 | 99.8 % | 752,986 | 751,640 | 99.8% |
| Foreign gov-ernments and international organisations | 20,510 | 17,555 | 2,955 | 85.6 % | 18,941 | 15,436 | 81.5% |
| Public corporat ions and private enterprises | 100,000 | 100,000 | - | 100.0% | 50,800 | 50,800 | 100.0% |
| Non- profit institutions | 438,281 | 448,679 | (10,398) | 102.4% | 282,724 | 292,627 | 103.5% |
| Househ olds | 6,925 | 6,463 | 462 | 93.3% | 11,876 | 11,875 | 100.0% |
| Gifts and donations | - | - | - | - | 3 | 20 | 666.7% |
| **Payment for capital assets** | | | | | | | |
| Building s and other fixed structures | 626,206 | 567,365 | 58,841 | 90.6% | 999,254 | 713,003 | 71.4% |
| Machinery and equipment | 85,676 | 47,511 | 38,165 | 55.5% | 59,558 | 43,283 | 72.7% |
| Software and other intangible assets | 16,470 | 16,184 | 287 | 98.3% | 25,857 | 501 | 1.9% |
| Payment for financial assets | 7,788 | 7,788 | - | 100% | 3,198 | 3,198 | 100.0% |
| **Total** | **6,175,261** | **6,022,654** | **152,607** | **97.5%** | **7,891,248** | **7,203,925** | **91.3%** |

Departmental spending for the period under review is R6.022 billion which represents 98% of the budget allocation. Underspending of R153 million relate to R9.1 million for compensation of employees, R47.6 million for goods and services, R59 million for buildings and other fixed structures, and R38 million for machinery and equipment.

- **Programme 1: Administration**

  The underspending of R33.5 million in Programme 1 relates to the following:

  – Compensation of employees' underspending of R6.9 million resulted from funds reprioritised for the filling of posts, grading of positions and anticipated performance bonuses. These, however, did not materialise as critical positions could not be filled before the end of the financial year.

  – Goods and services underspending of R8.3 million is mainly due to office accommodations for municipal services and accommodation charges.

  – Machinery and equipment underspending of R18 million relates to funds prioritised for the procurement of computers. However, invoices were received late and were also defective and payment could therefore not be processed before the end of the financial year. This financial obligation has been disclosed as an accrual in the financial statements.

- **Programme 2: Immovable Asset Management**

  The underspending of R105.4 million in Programme 2 relates to the following:

  – Goods and services underspending of R27.2 million relates to funds reprioritised for Immovable Asset Register project under the Turnaround Intervention. These funds for the Immovable Asset Register have been requested as a roll over to the 2014/15 financial year. The roll over request is due to the project being committed towards the later part of the financial year.

  – Buildings and other fixed structures constitute an underspending of R58.8 million due to a delay in implementing infrastructure projects.

  – Underspending of R19.1 million for machinery and equipment is due to changes in the procurement processes which delayed ordering and delivery of furniture to the Department.

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

  The underspending of R5.6 million in Programme 3 is mainly due to the following:

  – Transfers and subsidies under-spent by R4.3 million, and relates to transfer payments to provinces for EPWP Integrated Incentive grant. Funds were withheld from provinces due to their non-compliance to the Division of Revenue Act.

  – Machinery and equipment underspent by R1 million, and is directly linked to tools of trade not acquired due to vacant positions not filled.

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

  Underspending of R3.9 million in Programme 4 is due to the following:

  – Compensation of employees underspending of R2.3 million is due to the delay in filling of vacant positions.

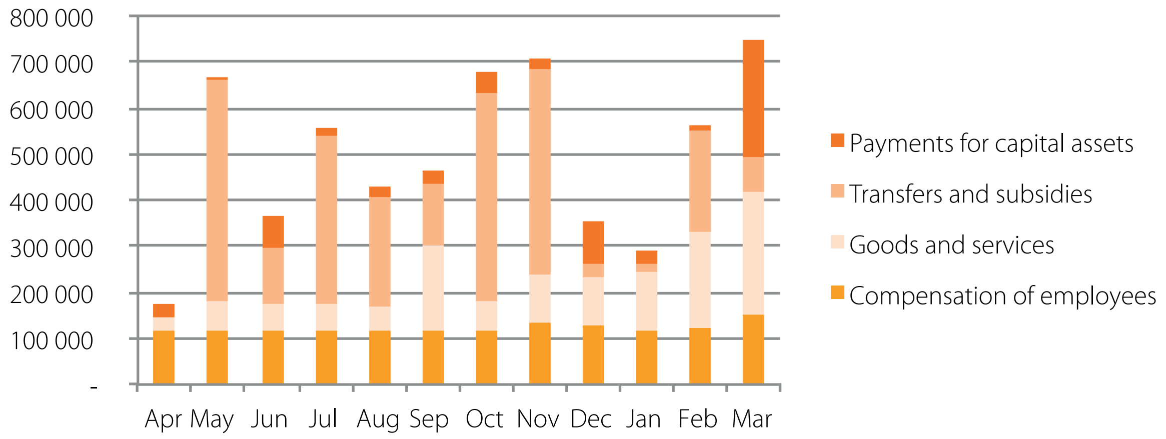
  – Goods and services underspending of R11.8 million includes R10.4 million budget transfers made to Agreement SA which is paid under transfers and subsidies. The expenditure for Agreement SA under transfers and subsidies is classified as irregular expenditure as the allocation under goods and services was utilised.

- **Programme 5: Auxiliary and Associated Services**

  The underspending of R4.2 million in Programme 5 relates to transfers and subsidies for funds allocated for Commonwealth War Graves and Sector Education and Training Authority. The underspending for the Commonwealth War Graves is due to lower than anticipated currency movements between the South African Rand and the United Kingdom Pound.

- **Spending trends**

**Figure 1: Spending trends**




The monthly average expenditure was in the region of R500 million for most of the year with lower spending recorded during April 2013 and January 2014 which is historically the periods when limited payments are affected. The expenditure for the months of May, October, November 2013 and February 2014 was high (more than R600 million) as expenditure includes substantial transfer payments to entities, EPWP non-state sector and EPWP incentives to provinces and municipalities.

Expenditure for March 2014 exceeded the calculated average spending mainly due to substantially increased expenditure under goods and services, and payments for capital assets for buildings and other fixed structures.

- **Virement**

Virement were approved and implemented as follows for the Programmes:

**Table 7: Virement for 2013/14**

| | Prog 1 | Prog 2 | Prog 3 | Prog 5 | Total |
|---|---|---|---|---|---|
| | R`000 | R`000 | R`000 | R`000 | R`000 |
| Compensation of employees | 19 770 | 1 170 | - | | 20 940 |
| Goods and services | (45 426) | (15 308) | (10 692) | 50 486 | (20 940) |
| Transfers and subsidies | | 50 000 | | | 50 000 |
| Payments for capital assets | | (50 000) | | | (50 000) |
| **Total** | **(25 656)** | **(14 138)** | **(10 692)** | **50 486** | **-** |

- **Programme 1** was decreased by a net of R25.7 million to partly offset over spending in goods and services for Programme 5 and compensation of employees in Programme 1. The approval for the virement of funds from goods and services to compensation of employees was granted by National Treasury.
- **Programme 2** decreased by a net of R14.1 million as a result of additional funds of R1.1 million for compensation of employees and decrease of R15 million for goods and services to Programme 5. Transfers and subsidies was increased by R50 million with virement approved by National Treasury from payments for capital assets should this be buildings and other fixed structures.
- **Programme 3** was reduced by R10.7 million as a virement to offset projected over spending in Programme 2 and 5. Virement of R10.7 million includes R10 million to Programme 2 for compensation of employees which was approved by National Treasury and R882 000 for goods and services to Programme 5 as approved by the Accounting Officer.
- **Programme 5** was increased by R50.5 million through virement for goods and services for State Functions. High expenditure in Programme 5 relates to the state funeral of former President Mandela and virement was approved to offset the projected over spending in this Programme. Additional funding was not requested from National Treasury as underspending was projected under goods and services.
- No virement were applied in Programme 4.
- **Unauthorised expenditure**

In the current year, the Department has incurred unauthorised expenditure of R6.2 million as at the end of the 2013/14 financial year. The expenditure relates to the construction of schools projects implemented by the Department since 2010/11 which has not yet been completed. The construction of schools by the Department was in response to a Presidential call to eradicate mud schools in the country by 2014/15. The Department, therefore, constructed schools in the Eastern Cape and North West Provinces through the Independent Development Trust, using technologically-advanced alternative construction methods. The expenditure of R6.2 million relates to projects not yet completed at the end of 2012/13. The cumulative amount of unauthorised expenditure since inception of the project in 2010/11 is R172.6 million.

The Department's total cumulative unauthorised expenditure is R255.7 million. The cumulative impact due to unauthorised expenditure from the 2007/08 financial year has negatively affected the Department's cash flow. This situation will continue until such time as this unauthorised expenditure is sanctioned by Parliament. At the end of the 2013/14 financial year, the Department reported an overdraft of 98.18 million resulting from the reported unauthorised expenditure.

- **Irregular expenditure**

The irregular expenditure disclosure is a reflection of costs incurred in contravention of prevailing prescripts or legislation. In essence, it reflects the levels of deviation from acceptable norms and standards applicable to the Department's procurement of goods and services.

- **Main Account**

The revision of the entire population up to and including the 2011/12 financial year, relating to the Department's Main Account, was completed in 2012/13 and appropriately reported on in the financial statements of 2012/13. This resulted in an increased balance of R1.05 billion being disclosed in the Annual Financial Statements of Department for that year. This adjusted disclosure was tested by the Auditor-General of South Africa (AGSA) and found to be complete.

Although the results have been tested and found to be complete, transactions which were processed in the PMTE on behalf of the Department's Main Account still needed to be verified and, where found to be irregular, included in the irregular expenditure register of the Main Account. Because this verification in the PMTE was not yet completed, the Main Account disclosure was deemed to be incomplete and therefore qualified as a consequence. However, this requirement is no longer applicable in the current financial year, since PMTE reports all irregular expenditure detected in their financial statement and this is no longer transferred to User Departments. As a consequence of this new disclosure practice, the balance in the Main Account was adjusted from R1.05 billion to R754 millions a result of the balance of R291 million being transferred back to PMTE for proper accounting and disclosure.

The Department has furthermore intensified efforts to investigate and condone the irregular expenditure disclosed. Transactions amounting to R322 million in the Main Account were investigated and condoned on the basis that the expenditure was incurred primarily due to systemic SCM deficiencies that were not aligned with directives of National Treasury. In these cases, no staff members could reasonably be held accountable for deviations giving rise to irregular expenditure as their actions were in the best interest of the state.

In the current financial year, additional irregular expenditure amounting to R152.1 million was identified with regard to carry through amounts from previous financial years as well as transactions relating to 2013/14. This addition, together with the adjustment indicated in previous paragraphs, will result in a balance of R583.6 million as at the end of the reporting period.

The table below indicates the major categories of irregular expenditure as disclosed in the Main

**Account incurred during the period under review:**

**Table 8: Irregular expenditure (Main account)**

| CATEGORISATION OF IRREGULAR EXPENDITURE | R mill |
|---|---|
| Deviations/procurement process not followed | 70.1 |
| 3 written quotations not obtained | 5.8 |
| Tax clearance certificate related issues | 2.6 |
| Working of overtime before approval, payment exceeding 30% and overtime hours limit exceeded | 0.1 |
| Transfer payments to Agrément SA | 10.4 |
| Documents for unsuccessful bidders not available | 25.9 |
| **Total** | **114.9** |

Irregular expenditure detected on the Main Account for the current year amounted to R114.9 million. This year-on-year adjustment can inter alia be attributed to improved internal controls that management has implemented. The improved internal controls include delegating certain powers and authority to regional offices to improve efficiency, increased awareness on irregular expenditure and preventative controls enforced by the Compliance and Inspectorate Unit.

In relation to the transfer to Agreement South Africa, the Department has taken appropriate steps to regularise future payments with all the relevant stakeholders. This will be completed in the next financial year.

- **PMTE**

The significant increase in irregular expenditure from R3.8 billion in the previous financial year (2012/13) to R34.4 billion in the current financial year (2013/14) is as a result of the aforementioned deep diagnostics performed on the total population of 909 878 transactions in the PMTE from 2009/10 to present.

The review of all these transactions was two-pronged – reviewing all payments as well as the process for the appointment of the service providers.

Irregular Expenditure detected in PMTE from the transactions that took place during the year under review amounted to R6.2 billion. This is still unacceptably high and corrective action as indicated previously will also be taken to investigate and correct this matter.

The table below indicates the areas where irregular expenditure occurred in the year under review:

**Table 9: Irregular expenditure (PMTE)**

| CATEGORISATION OF IRREGULAR EXPENDITURE | R mill |
|---|---|
| Incorrect procurement process relating to leases | 3 447.4 |
| Deviations/procurement process not followed | 1 920.3 |
| Consultant appointment via roster system | 407.5 |
| 3 written quotations not obtained | 234.2 |
| Tax Clearance Certificate related matters | 83.6 |
| CIBD related issues | 121.2 |
| **Total** | **6 214.1** |

From the above, it is clear that the bulk of irregular expenditure relates to deficiencies in SCM processes not followed or contravened. The functional area where these transactions occurred is concentrated in the securing of lease contracts. In this report, covering the performance of SCM unit, it has been indicated that National Treasury directives which mainly apply to goods and services, present particular challenges to support the specialised operational demands of the Department and the PMTE.

The spike in irregular expenditure is as a consequence of revisiting all prior financial years' transactions. The change in accounting for transactions incurred on behalf of client departments which were previously not disclosed in the PMTE, has also resulted in the significant increase from R3.8 billion in prior financial year to R34.4 billion in the current financial year.

The table below depicts the adjusted balances for the major categories of irregular expenditure disclosed in the PMTE after investigation of historic transactions since 2009 (excluding current year):

**Table 10: Adjusted balances of irregular expenditure**

| CATEGORISATION OF IRREGULAR EXPENDITURE INCURRED IN PRIOR YEARS DETECTED IN CURRENT YEAR | |
|---|---|
| | R mill |
| Incorrect procurement process relating to leases | 8 941.3 |
| Deviations/procurement process not followed | 7 578.7 |
| Consultant appointment via roster system | 3 136.5 |
| 3 written quotations not obtained | 1 253.4 |
| Tax Clearance Certificate related matters | 3 390.2 |
| Cidb related issues | 283.8 |
| **Total** | **24 583.9** |

The table above confirms the root causes of irregular expenditure incurred in the Department and PMTE as elaborated in the preceding paragraph dealing with the current year. It is clear that the root causes are historic trends which have been systemically entrenched in the operations.

The outcome of investigations of the above will inform the next course of action to be taken that is, either acting against those staff members found to have negligently or wilfully contributed to the irregular expenditure or to condone it as acts in the best interest of the Department at the time.

As mentioned before, leasing transactions which account for a significant percentage of irregular expenditure remained a challenge for PMTE due to the constraints to comply with the supply chain management framework prescribed by National Treasury. This is due to the unique challenges prevailing within the leasing environment where the criteria governing goods and services do not necessarily provide optimal procurement solutions for properties. Besides having commenced with the revision of the inappropriate SCM processes in the leasing procurement framework, the Department has during the year under review, approached National Treasury for a special dispensation to deviate from the open competitive bidding process for the backlog of expired leases. A dispensation was proposed to negotiate with landlords for the renewal or extension of leases that have to date already expired. National Treasury granted the deviation subject to the following conditions:

- Clients departments must have demonstrated a desire to continue with the occupation of the property
- Renewal is limited to a period of 36 months
- Annual rental escalation is limited to 5.5% per annum
- The deviation does not apply retrospectively

The benefits of this exemption will, however, only be realised in subsequent financial years with the anticipated sharp decline in the irregular expenditure. As the dispensation was only applicable to the end of the year under review, the Department approached National Treasury for an extension of applicability to the end of 2014/15 financial year. This request is still under consideration. It was also proposed to the National Treasury to extend this dispensation to the entire Public Works sector which has historically been experiencing similar challenges to comply. National Treasury has acceded to this request.

All amounts relating to installation of security measures for the Nkandla project which were found to be irregular by the Special Investigating Unit have been included in the amount of irregular expenditure reported.

### *Fruitless and wasteful expenditure*

Fruitless and wasteful expenditure is defined as expenditure incurred in vain and which could have been avoided had reasonable care been exercised at the time of transacting.

- **Main Account**

Fruitless and wasteful expenditure reflected a balance of R124 million in the prior financial year. This amount has been restated because fruitless and wasteful expenditure amounting to R68 million relating to the Skilpadhek Border Post project as well as a further R5.1 million relating to other border construction projects have been reflected in the financial statement of PMTE. This is in line with the change in accounting treatment where this will be discussed in the financial statements of PMTE as elaborated on under irregular expenditure. A significant amount included in the prior financial year balance relates to R45 million for a management reporting system that was procured in 2005 and which was not yet fully utilised by the Department.

The Department has resolved that the management reporting system will be configured to suit the new operational environment of the Department to derive full value from the system in future. Once the system is operational, the amount disclosed as fruitless and wasteful expenditure will be reversed in the applicable financial year.

The fruitless and wasteful expenditure incurred in the current financial year amounts to only R130 000. This substantial reduction can be attributed to stringent measures that management implemented in the previous financial year and the emphasis on consequences on those found guilty of negligence.

- **PMTE**

The operational mandate of the PMTE is to provide accommodation to national User Departments. Where state-owned property is not available, the PMTE procures private accommodation on behalf of clients. These contractual obligations are honoured by PMTE and costs recovered from clients.

The PMTE reported fruitless and wasteful expenditure in the amount of R254 million in the previous financial year (2012/13). This amount has been restated to R328.4 million ,inter alia, by the incorporation of the following amounts transferred from the Main Account:

- The Skilpadhek Border Post, R68 million
- Other border posts projects, R5.1 million

The fruitless and wasteful expenditure of R68 million for the Skilpadhek Border Post project is currently before the courts as the Department has instituted a civil claim against the original contractor. This was after the SIU found evidence of fraud by the contractor, also implicating certain current and former officials of the Department.

Fruitless and wasteful expenditure as a result of rental paid on unoccupied leased properties continues to be the nemesis of PMTE. This is evidenced by the fact that of the R16.2 million incurred in the current financial year, R13.5 million was as a result of rental on unoccupied properties. The root cause of this being client departments who move out of leased properties during the lease period, in breach of the lease agreement. As such, the PMTE is obliged to honour the lease agreement and continue to pay for the vacant properties until another suitable tenant is found. Failure to honour agreements in order to avoid fruitless and wasteful expenditure exposes the PMTE to litigation and even higher costs. A total of R2.2 million relates to interest and penalties paid on overdue accounts.

## 1.3.4 FUTURE PLANS OF THE DEPARTMENT

### *Public Private Partnerships (PPP)*

The Department participated in a PPP for the provision of Fleet Management Services through the National Department of Transport. The PPP provides full maintenance lease vehicles as per departmental requirements. The contract is a five-year contract which commenced in November 2006 and ended in November 2011. An extension was approved by National Treasury for a period of two years from December 2011 to November 2013, after which the third year will continue on a month-to-month basis until a new service provider is appointed. This appointment is due on 1 November 2014 and it is the Department's intent to continue its participation in the new contract when it is established.

### *Supply Chain Management (SCM)*

The Department and the PMTE both make use of the SCM unit on the basis of a shared service in order not to duplicate support structures and services.

### *Unsolicited bid proposals*

For the year under review, the Department has not concluded any unsolicited bid proposals.

### *SCM processes and systems to prevent irregular expenditure*

The re-engineering of the supply chain management processes and enhancement of controls at this level remains pivotal in preventing irregular expenditure. The progress made in this regard during the reporting period is surely a positive contribution towards entrenching effective delivery mechanisms. In addition to this, a revised SCM policy was approved and implemented during the year under review. This is a step in the right direction as the lack of an updated policy framework was one of the root causes of irregular transactions.

To support the governance framework for strict enforcement, an updated policy on Management of Financial Misconduct (which incorporates irregular and fruitless and wasteful expenditure), was approved in the 2013/14 financial year. This policy also provides for quick investigation of contraventions and the establishment of a Condonation Committee. This Committee will have a footprint across all regional offices and at head office and will make recommendations to the delegated authority on all cases investigated.

At the executive management level in the Department, an Accountability Management Committee (AMC) was established which is chaired by the Director-General. The AMC holds managers at the level of Branch Heads and Regional Managers accountable for, among others, irregular and fruitless and wasteful expenditure, and inculcates collective accountability and responsibility at the top echelon of the Department.

Depending on recommendations made of investigations concluded, certain cases of irregular expenditure, and fruitless and wasteful expenditure may be referred to Labour Relations for disciplinary action against responsible officials. The cumulative effect of this, together with the proclamation signed by the President for the SIU to conduct investigations in the procurement of goods, services and works has resulted in the suspension of some officials while other officials have been dismissed. The Department has approached the courts to cancel certain contracts with companies found to have committed acts of fraud and corruption. Civil claims have been instituted against those companies.

### *SCM challenges experienced*

To improve the alignment of service delivery objectives to the budget cycle and the strategic plan of the Department, a comprehensive Demand Management Framework has been conceptualised. The establishment of such a Demand Management capability within SCM is key to improving service delivery through timeous delivery of procured goods and services, and better value for money. This Demand Management Framework has been based on South African best practice in consultation with Cidb as it is essential to also incorporate IDMS into this model. The institutionalisation of the IDIP and IDMS are regarded to be fundamental to the successful functioning of demand management both in the context of PMTE and the Department. The intended outcome is to establish a planning and support landscape which spans the strategic landscape and devolves into a procurement plan that effectively supports the operational mandates.

Notwithstanding the development of a proper demand management capability, the historic SCM structure was not aligned to effectively deal with the DPW and PMTE operational demands. This has historically given rise to inordinate workloads within SCM, particularly within the bid administration unit. The unavoidable result of this historic failure was a high staff turnover and waning staff morale over time.

The organisational structure was therefore reviewed and is now based on the three key operational streams of PMTE and the Department that is, goods and services, infrastructure and property management. The current SCM policy framework of the National Treasury was fundamentally conceptualised to transversally cater for goods and services across government, therefore, it does not directly support Public Work's technical fields of specialisation. In support of the specialised organisational structure, an enhanced SCM policy framework that aligns to the peculiarities of procurement of properties (including facilities management) as well infrastructure projects is therefore, also being conceptualised in consultation with National Treasury. Adoption of this will go a long way in reducing irregular expenditure as a consequence of inappropriate processes followed.

In the meantime, the Department has embarked on an aggressive recruitment programme for filling of vacancies, training of personnel and rollout of a change management process that will ameliorate human resources and capacity challenges in future.

### *Gifts and donations received from non-related parties*

The Department did not receive any donations or gifts from non-related parties in the year under review.

### *Exemptions and deviations received from National Treasury*

- **Billing of State-Owned Accommodation based on the principle of devolved budgets**

Since the devolution of accommodation budgets to client departments in 2006, the PMTE has been billing them for accommodation costs on the basis of the amounts devolved and an agreed annual escalation rate. In terms of sound accounting practice, PMTE invoices should be detailed, indicating accommodation space occupied and the tariffs charged in each case. However, PMTE has to date not had the billing and accounting capability nor the updated accommodation occupation information to comply with this requirement.

National Treasury, therefore, granted exemption to the PMTE to continue to bill state-owned accommodation, rented out to client departments on the principle of the devolved budgets for a limited period. The exemption was due to expire on 31 March 2014.

Due to technical delays in the development of the Billing and Accounting systems, as well as the fact that the physical verification of state-owned properties could not be concluded in time, the implementation of detailed billing could not be implemented by the target date of 1 April 2014. These requirements are, however, now proceeding according to the revised timelines and will be in place by the extended deadline of 1 April 2015.

### *Special dispensation on procurement of leasing*

The current procurement dispensation in the Public Sector requires that all procurements above R500 000 must be put out on open tender. Key to its mandate, the PMTE procures accommodation from the private sector to meet client requirements where state-owned accommodation is not readily available.

Given the inflexibility of accommodation occupied and the unique market circumstances prevailing within the leasing environment, it may often not be in the best interest of government to go out to market and simply accept the cheapest rates resulting from a bidding process. For instance, where a client department is already in occupation of the property and has indicated their preference to continue with such occupation, the secondary (or indirect) costs should also be considered. Relocation costs, moving of communication and IT networks, interruption of business, proximity to their clients, refurbishments made to suit client requirements are but, some of the factors that need to be quantified and considered. However, tested against the prevailing regulatory dispensation, lease extensions which did not follow a tender process would be viewed by the AGSA as irregular without considering the mentioned dynamics.

National Treasury, therefore, granted approval to dispense with the competitive bidding process to renew the accumulated backlog of leases which have expired as at 31 December 2013. The following conditions would, however, inter alia prevail:

- Escalation rate to be limited to 5.5% per annum
- Renewal period to be limited to a maximum of three years
- Exemption would not apply retrospectively

The Public Works sector, which comprises of the National Department of Public Works and all nine provincial Departments of Public Works, mandated the National Department to request National Treasury to also extend this exemption to provinces. This is against the backdrop that the dynamics within the leasing environment are not limited to the national sphere, but similarly applies to provinces.

National Treasury granted approval to extend the dispensation on leasing within the Public Works sector with a further condition that the National Department of Public Works oversees the implementation process in provinces. This gives further impetus to the oversight role that the National Department of Public Works is expected to play within the Public Works sector as regards provincial departments.

# 1.4 Statement of Responsibility and Confirmation of the Accuracy of 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 2014.

Yours faithfully

**Mr Mziwonke Dlabantu**

**Accounting Officer**

**30 May 2014**

# 1.5 Strategic Overview

## VISION

The vision of the Department of Public Works is: "To be a world-class Public Works Department".

## MISSION

The Department of Public Works (DPW) aims to promote the government's objectives of economic development, good governance and raising living standards and prosperity by providing and managing accommodation, housing, land and infrastructure needs for national departments, promoting the Expanded Public Works Programme (EPWP) and encouraging the transformation of the construction and property industries. In pursuit of these objectives, the Department seeks to

- Efficiently manage the lifecycle of immovable assets under its custodianship
- Provide expert advice to all three spheres of government and State-owned entities on immovable assets
- Contribute to the national goals of job creation and poverty alleviation through Programme management and directing of Public Works Programmes across all spheres of government, of which the Expanded Public Works Programme (EPWP) forms an integral part
- Provide strategic leadership to the construction and property industries

## VALUES

Governed by our mission, the values outlined below serve as guiding principles in the Department's continuous effort toward service delivery improvement:-

- **Urgency**

All tasks are attended to timeously and diligently.

- **Integrity**

The Department rejects any form of corruption and/or mal administration, and all employees vow to expose any actions undermining principles of good corporate governance.

- **Client Focus**

All aspects of our work are guided by the need to improve service delivery to both internal and external clients.

- **Team Work**

Every employee has a specific task/role to perform and the sum of all our actions defines our destiny (success or failure).

# 1.6 Legislative and Other Mandates

The legislative mandate of the Department is based on Schedule 4 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). As set out in the Public Finance Management Act, 1999 (Act No. 1 of 1999) and other policies and enactments such as the Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007) governing efficient and effective management of immovable assets, the Department is mandated as the custodian and portfolio manager of a significant portion of the National Government's immovable assets. This includes the provision of accommodation; rendering of expert built environment services to User Departments at National Government level and the planning, acquisition, management and disposal of immovable assets under the custodianship of the Department. In addition, the Department is mandated to coordinate and provide strategic leadership in job creation through the implementation of the EPWP. Through a range of legislative instruments, the Department regulates the construction and property industries.

Through the Independent Development Trust (IDT), the Department supports all tiers of Government in the implementation of the national development agenda, in particular the eradication of poverty, employment creation, and the creation of sustainable and cohesive communities through the provision of social infrastructure. The Department, through Agreement South Africa facilitates the introduction, application and utilisation of innovation and technology development in the construction industry by providing assurance of fitness-for-purpose of such technologies.

## 1.6.1 CONSTITUTIONAL MANDATE

The Constitutional mandate of the Department is provided in Schedule 4, Part A, to the Constitution: Functional Areas of Concurrent National and Provincial Legislative Competence. In executing its mandate, the Department also has to observe the principles of co-operative government and intergovernmental relations as provided for in sections 40 and 41 of the Constitution.

## 1.6.2 LEGISLATIVE MANDATE

The legislative mandate of the Department is primarily governed by the Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007). This Act aims to ensure efficient and effective immovable asset management in National and Provincial Governments in order to improve service delivery. Further, the Department regulates the construction industry and built environment through the Construction Industry Development Board Act, 2000 (Act No. 38 of 2000), the Council for the Built Environment Act, 2000 (Act No. 43 of 2000) and the six Professional Council Acts that regulate the six Built Environment Professions.

In addition to the above, there are various Acts listed in Annexure A that outline the key responsibilities placed on the Department.

## 1.6.3 POLICY MANDATE

- **DPW White Paper: Public Works, Towards the 21st Century, 1997**

The White Paper documented the challenges facing the Department and serves as an overarching policy framework for the Department's restructuring to contribute more effectively to Governments socio-economic objectives by becoming a client-orientated organisation focusing on policy and service reform, property investment, property and facilities management, project management and the implementation of Public Works Programmes.

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

The White Paper sets out Government's policy objectives for the construction industry focusing on enhanced delivery, greater stability, improved industry performance, value for money and the growth of the emerging construction sector.

### 1.6.4 CONSTRUCTION SECTOR TRANSFORMATION CHARTER, 2006:

The Charter aims to, inter alia:

- Provide to the construction sector the first quantitative method for monitoring and evaluating the progress of an enterprise towards BBBEE and thereby contribute to ending the malpractice of fronting
- Expand the employment potential and absorption capacity of the sector using labour-intensive approaches where economically feasible and possible
- Address skills development in a manner that accelerates the advancement of black people, black women and designated groups, with a particular emphasis on learner-ships as well as technical and management training

### 1.6.5 PROPERTY SECTOR TRANSFORMATION CHARTER, 2007

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

- Promote economic transformation in the Property Sector in order 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 enhance basic infrastructure, encourages investment and supports micro and small enterprises
- Facilitate the accessibility of finance for property ownership and property development

The role of the Department is to monitor the implementation and promote compliance of both Charters throughout Government.

### 1.6.6 THE DEPARTMENT BROAD-BASED BLACK ECONOMIC EMPOWERMENT STRATEGY, 2006

This strategy guides the Department to give effect to the Broad-Based Black Economic Empowerment Act, 2003 by addressing enterprise development, preferential procurement, skills development and employment equity.

### 1.6.7 PROPERTY MANAGEMENT STRATEGY ON BBBEE, JOB CREATION AND POVERTY ALLEVIATION, 2007

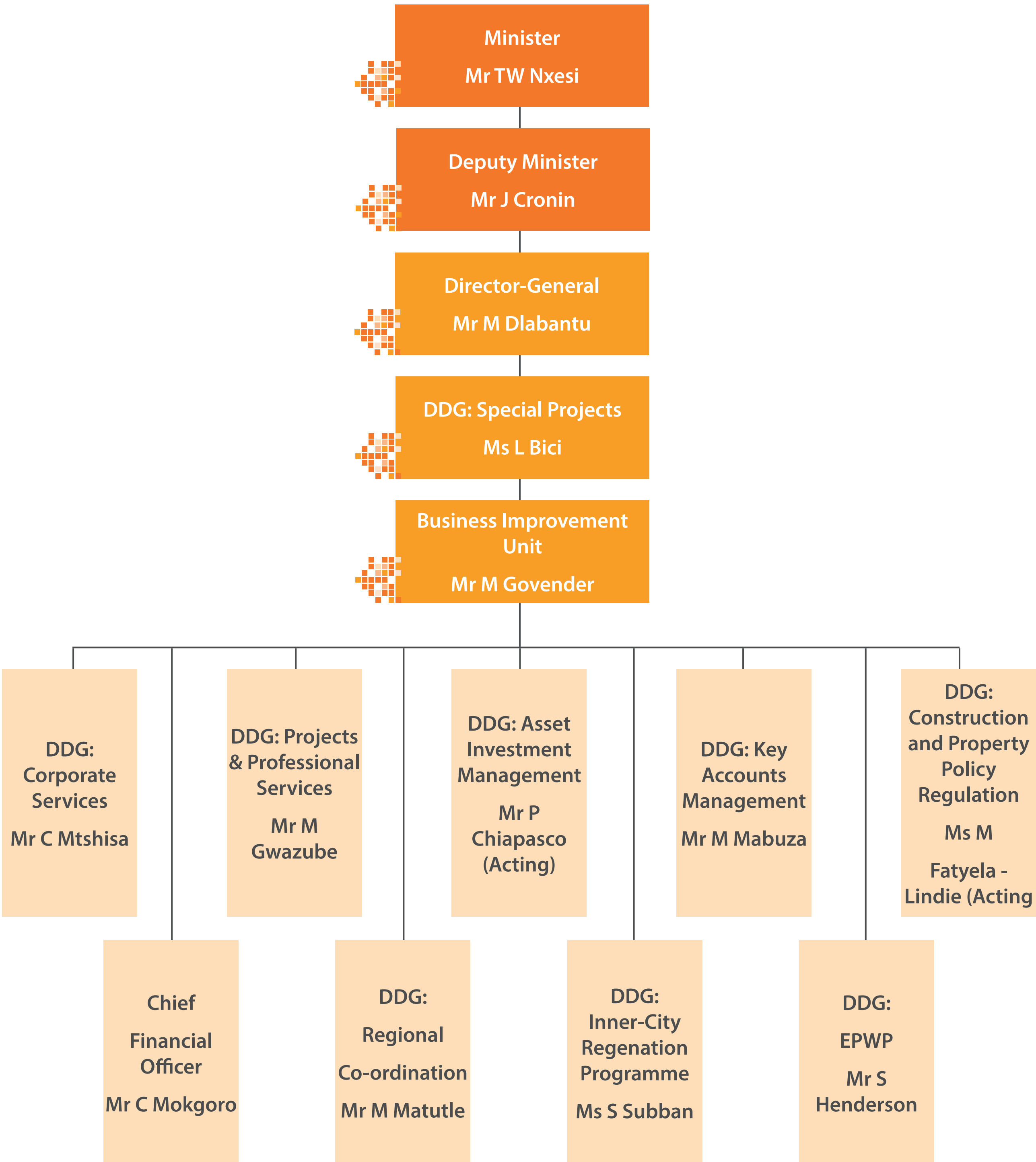
The objective of the strategy is to:

- Address skewed property and equity ownership in the property industry in the country
- Promote black participation in the property industry through management, control and procurement which is imbalanced within the public and private sector property environment

### 1.6.8 GREEN BUILDING FRAMEWORK, 2011

This Framework demonstrates the Department's commitment towards addressing key elements in Government's New Growth Path and Industrial Policy Action Plan with specific reference to promoting sustainable development, reducing greenhouse gas emissions, promoting energy efficiency, new green industries, etcetera.

## 1.7 Organisational Structure



## 1.8 Entities Reporting to the Minister

The following entities report to the Minister of Public Works. These entities are intended to assist the Department to deliver on its objectives and achieve the broader governmental goals, focusing on the construction and property industries. Key to attaining these objectives is a long term drive towards transformation.

**Table 11: Entities Reporting to the Minister**

| Name of entity | Legislative mandate | Financial relationship | Nature of operations |
|---|---|---|---|
| **Construction Industry Development Board (cibd)** | Promote the contribution of the construction industry in meeting national construction demand and in advancing national, social and economic development objectives. | Transfer payment | 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. | | Convene the National Stakeholder Forum meeting annually to advise the Minister on matters affecting the development of the construction industry. |
| | Promote uniform application of policy with regard to the 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. | | Establishment of the National Contractor Development Programme (NCDP), inclusive of (CDP) guidelines, which is a public sector led Programme comprising of a partnership between the cibd, National and Provincial Public Works and other willing stakeholders and partners. The objective of the NCDP is to increase the capacity, equity ownership, sustainability, quality and performance of cidb registered contractors. 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. |

| Name of entity | Legislative mandate | Financial relationship | Nature of operations |
|---|---|---|---|
| **Agreement South Africa** | Operates under the delegation of authority from the Minister of Public Works and represents the Government of the Republic of South Africa. The delegation is to the Chairperson of the Board of Agreement South Africa, when acting in consultation with the wishes of the Board appointed by the Minister. | Government subsidy | Agreement South Africa is an internationally acknowledged, South African Centre for the assessment and certification of innovative, non-standardised construction products, systems, materials, components and processes, which are not yet fully covered by a national standard or code of practice. It supports the construction industry by facilitating the safe introduction, application and utilisation of satisfactory innovation and technology development. Agreement South Africa does this, inter alia, by providing assurance of Fitness-for purpose of such technologies that optimise resource utilisation and realises cost savings in industry.<br>The entity also explores alternative methods of construction within the built environment. |
| **Independent Development Trust (IDT)** | The IDT is a transformed government development agency that implements projects commissioned by government departments (1997 Cabinet decision). It is a Schedule 2 development entity and implements projects on behalf of government. | Transfer payment | Business Model: centralised national functions and regional operations.<br>The national office determines policies, provides oversight, compliance monitoring and reporting on behalf of the organisation, and is responsible for creating an enabling environment that is conducive to effective regional operations.<br>Both national and regional offices are responsible for business generation. |
| **Council for the Built Environment (CBE)** | To facilitate transformation of the built environment profession and protect members of the public within South Africa from unsafe practices by built environment professionals.<br>To provide advice and body of knowledge on built environment issues.<br>To ensure good governance in the provisioning of built environment professional services in both the public and private sectors. | Transfer payment | Drives and facilitates skills development within the built environment.<br>Provides research and a platform for discussions on built environment issues.<br>Strengthens and implements a public protection regime. |

## *Property Management Trading Entity (PMTE)*

- **Mandate of PMTE**

The PMTE is a trading entity as defined in the Public Finance Management Act, 1999 (PFMA) - Act No 1 of 1999. Trading entities are established within departments to perform certain specialised functions of the department and to enable separate financial reporting of the transactions relating to these functions. Although it is a separate financial reporting entity, it is not a separate legal entity. Trading entities furthermore operate within the administration and under the strategic direction, supervision and guidance of the "parent" Department. The approval of National Treasury is required for a Department to establish a trading entity.

National Treasury preliminarily approved the establishment of the PMTE in March 2006. In terms of this approval, the PMTE is responsible for the overall management of property and the provision of accommodation to national client departments on behalf of the Department.

The preliminary approval granted by National Treasury was in response to, and aligned to the 1997 White Paper of Public Works to devolve accommodation related costs to client departments. This approval was subject to certain conditions which were unfortunately not met within the specified timeframes.

Notwithstanding the non-compliance with all of these conditions, the PMTE has continued with its operations with the concurrence of National Treasury since 2006, in terms of an interim mechanism that was in place up to 31 March 2013. A chief directorate, PMTE Finance was established during this period which was in essence the only function operationalised. Its objective was to account for the costs recovered from User Departments and the payment of leases, maintenance, property rates and municipal services of the national property portfolio. During this time the Department did not properly segregate the remaining operational functions of the Department and the PMTE from a structural and functional point of view.

- **Transfer of functions**

The historic 2006 dispensation directly contributed towards qualified and even disclaimed audit opinions in both the Department and the PMTE over a number of years. Operating and accounting challenges were largely addressed when the Director-General approved a PMTE Interim Solution in March 2013, to rectify the situation and start the process to formally operationalise the PMTE as a trading entity. This document laid the foundation to mobilise the PMTE around core property management functions through the amalgamation and reorganisation of certain branches of the Department. After further investigations and consultations, core property management functions were formally transferred from the Department to the PMTE with effect from 1 April 2013, as part of the further efficiency enhancement of the new operating model of the PMTE.

For the purpose of recognition of this transfer, it should be noted that a function is defined as an integrated set of activities that is capable of being conducted and managed for the purposes of achieving objectives either by providing economic benefits or service potential. In this regard, the following key functions and business units were inter alia transferred:

- Asset Investment Management (including Asset Register Management)
- Property Management
- Facilities Management
- Finance PMTE

- Regional Finance staff

Subsequent to the initial transfer of functions from the Department to PMTE, management clarified certain decisions taken which resulted in slight operational nuance adjustments and clarifications.

- **Accounting requirements**

As prescribed by the National Treasury, all trading accounts (including PMTE), are required to prepare their financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board (ASB).

GRAP 105 (which regulates the transfer of functions between entities under common control), prescribes the principles to be applied when accounting for the transfer of functions. However, GRAP 105 is not yet in operation and therefore the PMTE must apply currently applicable standards that deal with the transfer of functions. The recognition and measurement of assets and liabilities (including assets and liabilities relating to transferred employees) must therefore be done in accordance with the transitional provisions included in the accounting standards called Directive 2 and issued by the ASB in May 2010. The assets and liabilities relating to the affected functions transferred to PMTE, includes the following:

- Immoveable and moveable assets (property, plant and equipment)
- Construction contracts
- Provisions, contingent assets, contingent liabilities

Directive 2 provides for a transition period of three years from date of transfer of functions to obtain the information necessary to fully comply with GRAP. This three-year relief period mainly applies to measurement (which includes initial measurement, depreciation, componentisation, impairment etc.). However, this standard also allows for additional assets/ liabilities that are identified in this three-year period to be recognised within this grace period.

- **Effect of the transfer of employees**

Employees forming part of the business units transferred from the Department to PMTE as an integral part of the transfer of functions, had to be identified at head office and regional levels in order that all employee related assets and liabilities, such as leave, performance and service bonuses could be calculated and recognised in accordance with GRAP, in the accounts of the PMTE. The PMTE and Departmental structures, organograms and PERSAL were aligned and updated accordingly.

The employee cost in the amount of R76 million relating to all the transferred employees was accounted for in terms of GRAP in the PMTE financial statements as from 1 April 2013. These employee costs were budgeted for and paid by the Department without recovery thereof from PMTE. The PMTE disclosed these 2013/14 expenses as related party transactions and as a revenue in kind as required by GRAP.

- **PPE-Immoveable assets**

The immovable assets register under the custodianship of the National Department of Public Works as at 1 April 2013, has been transferred to the PMTE in its entirety in terms of section 42 of the PFMA. This necessitates GRAP compliant reporting on these assets by the PMTE.

As the Department accounted for these immovable assets in its main account in accordance with the Modified Cash Basis and not in accordance with the Standards of GRAP, the transitional provisions as per Directive 2 of the GRAP Reporting Framework had to be invoked. The assets acquired by the PMTE through the transfer of functions have therefore been recognised at provisional amounts. The provisional amounts used to recognise these assets will be restated once they can be accurately determined and only then will subsequent measurement such as depreciation also be applied. Classes of these immovable assets and useful lives are preliminary and will be finalised once these assets have been physically verified. However, the measurement period shall not exceed the period of three years from the transfer date and therefore, the date at which full compliance with GRAP is expected is 31 March 2016.

The physical verification of the transferred assets is work in progress and includes condition assessments, utilisation and the verification of specific identified components that will be depreciated separately as required by GRAP. As at the reporting date, ninety five percent of the assets have been physically verified.

The PMTE is also in the process of measuring the assets that have been physically verified at deemed carrying amounts as at 1 April 2013. To determine the deemed carrying amounts, different valuation approaches are applied, depending on the nature of the asset and the available source information. In applying the cost versus benefit principle, municipal valuation rolls are used as far as possible to determine the deemed carrying amounts. A valuation model has been designed to calculate the apportionment of the deemed carrying amounts to be allocated to specific identified components of an asset, and the remaining useful lives is determined based on the asset condition assessed during the physical verification process. To demonstrate progress with the measurement plan, deemed carrying amounts for approximately 10% of the transferred assets amounting to a cumulative total of R4.1 billion have been determined for this reporting period.

An immovable asset management policy, inclusive of a capitalisation policy position has been developed and effectively applied on transactions from 1 April 2013. Expenditure incurred in the current financial year on the transferred assets and processed through the Works Control System (WCS) has been reviewed in line with GRAP principles for the possible capitalisation of expenses.

- **PPE -Moveable assets**

Not all moveable assets previously recognised by the Department are transferring to PMTE with the transfer of mentioned property functions. Moveable assets, such as office furniture and office equipment, computer equipment, vehicles and other machinery and equipment are generally linked to the staff members utilising those assets. Therefore, only the moveable assets linked to the business units and staff transferred to PMTE will also be transferring to PMTE. Unfortunately, the process to link the moveable assets to the staff members to enable the accounting split for recognition could not be completed by year end. This is partly due to the fact that the current LOGIS moveable asset register currently links the moveable assets to locations rather than staff members. In terms of the action plan compiled, an intervention is underway to link locations to staff members. Once this is completed, the PMTE will be able to link moveable assets to staff members and complete the splitting of the moveable asset register between PMTE and the Department. Thereafter, the LOGIS system will be able to be updated to reflect the split.

- **Progress on Leases**

During the current financial year, significant strides have been made to improve the management of the leasing environment. Capacity enhancement mechanisms have been implemented to address the weaknesses identified by the AGSA. These focus areas include:

- Lack of supporting documentation (lease agreements) to support expenditures, revenues, assets and liabilities relating to leases
- Expired leases, operating on a month-to-month basis with no lease agreements
- Resolving supply chain delays on lease renewals

- Lack of an updated, complete and accurate lease register and system
- Historic inability to confirm the client department's occupation of premises

A service provider performed physical site inspections on most of the 2 162 lease sites identified to confirm client departments' occupation and obtain lease agreements. There were less than 10 lease sites where the service provider was unable to perform a physical site inspection. Out of the targeted lease population of 2 162, the PMTE and service provider was able to locate 1 584 signed lease agreements. These lease details were updated and compared to what had been paid to landlords with relevant adjustments being made in the Annual Financial Statements relating to under and overpayments. Corrections were also processed on affected accounts.

Subsequently, the focus has shifted to perform a detailed lease review on those remaining leases not covered by the previous lease intervention, performing the relevant physical site inspections and locating lease agreements that could not be located during the previous lease review.

Procurement processes around the renewal of expired leases have been overhauled and improved with National Treasury providing a special dispensation around the competitive bidding process. This allowed the PMTE to negotiate renewals of expired leases directly with landlords, subject to certain conditions as stipulated by the National Treasury. This [prospective] special dispensation, signed in September 2013, has since assisted the PMTE greatly as 480 leases have already been renewed. This number is set to increase rapidly due to dedicated resources.

Due to time constraints and lack of supporting documentation being readily available, certain leases were classified and disclosed as finance leases in the PMTE's prior year financial statements. This was mainly based on the long term nature of these leases (leases with 50 to 100-year terms or perpetual leases). During the current year, a more thorough assessment of leases classification was performed, as more lease agreements were located and comprehensively evaluated.

Risks and rewards of ownership is the underlying "decider" of finance versus operating leases classification in the PMTE financial statements. The various "indicators" as mentioned in GRAP 13 have been considered and assessed to determine whether the PMTE or the landlord bears the significant risks and rewards of ownership. In addition to the GRAP indicators, lease agreements have been inspected to determine who bears the rates and taxes and insurance costs. These are key additional indictors that must be considered before coming to a final conclusion.

Current assessment has revealed that most leases will be reclassified as operating leases in the current financial year. Treasury has also been consulted on this reclassification for concurrence.

**Debtors Interventions**

The debtors' book of the PMTE as at the end the current reporting period amounts to R1.6 billion (R2.4 billion 2012/13). The debtors recovery on amounts invoiced for the current year is 95%, which has an average debtors aging of less than 90 days. This is an improvement from the previous financial year where an average recovery rate of 87% was recorded.

The recovery of debtors older than three years remains a challenge. This resulted in PMTE reporting R651.5 million worth of debtors outstanding for more than three years by other departments and State entities. This is mainly due to historic inefficiencies to track and record occupation of buildings and the safe-keeping of relevant supporting documentation. Notwithstanding these challenges, 50 % (R1.2 billion) of the opening balance has however been recovered as at 31 March 2014. A debt recovery intervention has furthermore been put in place to target the recovery of the remaining balance.

During the current financial year, significant strides have been made to improve debt management by the PMTE. The success of this is evidenced by the recovery rate of almost half the debtors' book which was outstanding for many years. This has been achieved through the reconstruction of the debtor's book and the ongoing engagement of client departments and the National Treasury. In order to cement the improvements in the recovery rate of aged debtors, the reconstruction will be completed within six months of the new financial year.

- The reconstruction of debtors includes:
  - Perform detail reconciliation per transaction
  - Obtain supporting documents
  - Engage client departments
  - Engage National Treasury for intervention in cases of valid disputes between PMTE and client departments
  - Determine and quantify debts to be written off

On completion of the reconstruction, a review of the recovery strategy will be done. This will include all key stakeholders and might include the levying of interest on balances older than 30 days and changing the timing of invoicing (clients to pay leases in advance, in line with the industry best practice).

- **Impairment of debtors**

The PMTE assesses annually whether there is objective evidence of an event that impacts on the recoverability of its receivables and calculates an impairment loss based on future expected receipts. Impairment losses are recognised in surplus or deficit as an expense. To calculate the impairment loss amount, the PMTE uses the initial discount rate used to calculate the present value of expected cash flows and subtracts that from the carrying amount of the receivable. Where payment is expected but the exact future payment date cannot be determined to perform discounting, the amount is fully impaired. Future events are not considered.

The PMTE has in the current year elected to change its accounting policy from utilising an impairment allowance account to directly impairing against the carrying amount of the receivable. The reason for the changes in policy was due to the lack of proper systems in the PMTE as the gross receivables are not reliable and therefore, disclosure of these amounts would not provide relevant information to users of the AFS for decision making purposes (refer to the change in accounting policy note 33 of the PMTE AFS).

During the current year, impairment losses of R651.5 million (2012/13: R243.6 million) were recognised in the Statement of Financial Performance (See note 20 Operating expenses).

- **Managing the Bank overdraft**

The current operating model of the PMTE gives rise to a revolving overdraft of at least R800 million per month. This is mainly caused by the timing delay between the payment of third party contractual obligations and the eventual recovery from client departments. The process that is followed to recover monies relating to private leases, municipal services, client infrastructure spending (Capital allocation) and other recoverable infrastructure projects is as follows:

- PMTE pays lessors, contractors and municipalities on behalf of client departments
- At the end of the month, the recoverable costs are consolidated per client
- An invoice is then issued to the clients in arrears

- Clients have 30 days to pay invoices in terms of the PFMA
- This gives rise to an average of 60 to 90 days delay in matching the expense with the revenue

This process is in essence providing interest free short-term bridging finance to client departments for the mentioned period. As there are no other significant revenue sources that can augment the cash flow requirements of the PMTE, this directly contributes towards an overdrawn bank account.

The mentioned financial exposure emanating from PMTE's operating model will be eradicated through the following measures:

- Signing of agreements with client departments, committing them to the payment of all liabilities (rental, utilities costs, etc.).
- These agreements will also specify that these dues will be payable in advance.
- National Treasury's agreement will be required in support of this proposal. Such contractual obligations should not be regarded as pre-payments which puts the Exchequer at risk, but is an advance to secure continued occupation that will be reconciled and acknowledged on a monthly basis.
- This adjusted process will create a framework where third party payments and cost recoveries can more-or-less be matched from a timing perspective. Historic debts of clients that are disputed and which remains unpaid may, however, create a scenario where the bank overdraft cannot be completely eradicated until an agreement on this can be reached between PMTE, the relevant clients and National Treasury.

In this regard, the PMTE has gone through a process of reconstructing the debtors' book by matching amounts invoiced and monies received. Client consultations and briefing of the National Treasury has been prioritised to resolve this matter as soon as possible.

- **Billing and Accounting system**

Since the inception of the PMTE, one of its major challenges in terms of accounting for its financial transactions was the absence of a billing and accounting system that enabled itemised billing to clients and accounting for its transactions on an accrual basis. The entity used the basic accounting system (BAS) prescribed to all Government departments and had to collect supplementary information manually from all regional offices.

The entity compiled the user Specifications of the required system during the 2013/14 financial year and went out on an open tender to acquire the necessary software. An Enterprise Resource Plan (ERP) solution was purchased and configuration of the system started in all earnest during December 2013. The target was to go live with the new system on 1 April 2014, but due to challenges experienced in terms of hardware availability and electronic funds transfer capability, the system will not be fully implemented on the planned date. The entity will start issuing invoices during April 2014 from the new system and it is expected that payments will be processed on it, commencing in June 2014.

PMTE received an exemption from National Treasury that allowed it to invoice clients for state-owned accommodation without itemised billing in the absence of a billing system and an immovable asset register which contains verified billing information. As the system will only be fully operational during the second quarter of the next financial year and the underlying asset information will also only become available at that stage, the entity has requested an extension of this exemption to cover the 2014/15 financial year.

- **Way forward**

**Finance Model and Pricing Strategy**

To fund the revised operating model of the PMTE, a detailed finance model needs to be developed which will support the efficiency enhancements which will be implemented in future. It furthermore, also needs to guide the financial efficiency of the trading entity in the medium term to a position where it can become financially sustainable.

The PMTE currently has three major streams of revenue, being-

- Accommodation charges levied on state-owned accommodation
- Accommodation leased in from the private sector
- Management fees levied on client departments' municipal accounts

These revenue streams are augmented by an amount received from National Treasury. This augmentation is, however, just a temporary grant as bridging Finance for the operationalisation of PMTE and will lapse when the entity becomes financially sustainable.

The new finance model needs to cater for all operating and capital requirements of the PMTE in the medium term. In this regard the services rendered by PMTE to clients need to be assessed and proper charges levied on it. During this development, due cognisance also needs to be taken of all potential revenue streams in order to align it in support of strategic objectives. For example, clients should be incentivised to use government owned buildings rather than to rent privately owned accommodation at exorbitant prices. The detail of this model will be discussed with the National Treasury as the accommodation funding realignment may impact on the budgets of most client departments.

This impact is due to the fact that the accommodation charges derived from state-owned accommodation is still based on the budget amount originally devolved to client departments in 2006. It is also based on the asset register (occupation) information at that stage. As soon as the physical verification of state-owned assets and its occupation is completed, this information reflecting current occupation details will become the basis of client billing. All such asset information will, therefore, also need to feed into the finance model in order to determine the optimal funding solution for the entity based on an optimised asset base. With the application of the finance model, this will initially become the primary source of future receivables.

In its determination of a pricing structure, the entity will have to do an expenditure forecast based on its new operating model. This will inter alia, include the cost associated with its normal operations, the capital investment needed to improve the current condition of its buildings as well as the other facilities management expenses associated with the management of a property portfolio. This will also have to align with the accommodation needs of clients based on the content of their user asset management plans. These plans will direct the optimum level and condition of stock to be kept in order to deliver on its mandate. The ultimate objective is to have a portfolio that meets accommodation demand and that can be leased out at affordable government tariffs, that will at the same time make it possible for the PMTE to be financially sustainable.

**MR MZIWONKE DLABANTU**

**ACCOUNTING OFFICER**

# CHAPTER 2 ▪ PERFORMANCE INFORMATION

# 2. Performance Information

## 2.1 OVERVIEW OF DEPARTMENTAL PERFORMANCE

### *2.1.1 Organisational environment*

The Department recognises the importance of integrating strategic management, risk management and departmental performance management, and integrated reporting. These processes are regarded as essential management planning tools rather than as compliance exercises. This understanding is essential in assisting the Department to make appropriate strategic choices and review its goals; anticipate and mitigate events that will prevent it from achieving these goals; measure how well it has, or has not achieved them (and the reasons therefore), and finally report to the stakeholders about how the Department goes about achieving its goals and objectives. The Department is therefore continuously reviewing the strategic planning; risk management and monitoring and evaluation processes to ensure improvement, while building capacity and capability in these areas with the assistance of National Treasury. In a similar vein, the Department continues to build capacity to manage the effective oversight of sector entities and professional councils and ensure that they undertake proper planning and monitoring and evaluation processes in alignment with government policies.

In addition to managing a large portfolio of the state's immovable asset, the Department has a portfolio of private leases where it leases in to lease out to other state departments and/or entities. A comprehensive lease review revealed the need to regularise leases, implement a lease procurement plan, consider alternative approaches to procurement of leases, develop a lease methodology that will ensure uniform approach to lease management and create a central document repository to store critical documents.

In the past, the Department had challenges with SCM process where a number of delays were experienced. Having realised the effects of the delays towards service delivery, SCM issues were dealt with in the 'war room'. This ensured that backlogs are dealt with, and all tenders meet the required standards and norms. The process entailed re - organising the operations of the SCM unit and improving its internal controls that supports the core business of the Department.

In terms of projects and professional services, the Department has been under capacitated and as a result compromised the quality of services rendered in the period under review, about 41 professionals (of which 7 represent the retired professionals). Since the appointment of the professionals, the Department has developed a business model - Infrastructure Development Management System. This IDMS is intended to remodel the service delivery model of infrastructure.

The Department has identified non - compliance as the primary driver of fraudulent and corrupt behavior. This is exacerbated by a perception of a lack of consequences for this form of conduct and violators of policies not being harshly dealt with; emergency procurement that results from poor planning, as well as vulnerabilities and control deficiencies within the SCM function. In this regard, irregularities in the award of contracts for day-to-day maintenance; the failure to follow due process in conclusion of leases, and the scoping of construction projects are significant fraud and corruption risk areas. The Department is accordingly conducting a comprehensive assessment of fraud risks in all areas of its operations, at head office, as well as at the regional offices. The assessment will inform a comprehensive Fraud Prevention Plan, prepared in compliance with the PFMA. The implementation of this plan during the 2014/15 FY will assist the Department in responding to and mitigating risks associated with fraud and corruption through detailed internal controls and related mitigation plans.

During the period under review, the Department received a total of 250 allegations of fraud and corruption, of which 151 cases have been finalised, and 56 at various stages of the investigative process, while 43 were referred to internal and external (law enforcement agencies) parties for further handling. The Department is systematically reducing its backlog of cases to enable it to respond to allegations of fraud and corruption within the statutory 30 - day period.

The fight against fraud and corruption is a responsibility of everyone in the Department. Specific initiatives, including responsibility to manage fraud risks will therefore be aligned to branch business plans to ensure decentralisation of the responsibility to fight fraud and corruption in the Department. These developments signify a holistic and systemic approach that the Department has adopted in the fight against fraud and corruption that often hampers service delivery.

### *2.1.2 Service delivery environment*

The Department's core business is to provide and manage accommodation, housing, land and infrastructure needs for national departments, promoting the Expanded Public Works Programme (EPWP) and encouraging transformation of the construction and property industries. The provision and management of accommodation, housing, land and infrastructure has an impact in the efficient running of government departments and ensuring that the Department meets Outcome 12 - *"an efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship".* The EPWP has an impact in addressing the challenges of poverty, unemployment and inequality. The Department has 11 regional offices that cover all nine provinces and through them continually seeks to improve its role as a custodian of state assets by improving the manner in which it executes its mandate.

As a major custodian of State immovable assets, the Department is responsible for the planning, acquisition, management and disposal of State immovable properties. the Department plays a key role in the delivery of infrastructure, having pioneered the development of the Infrastructure Improvement Delivery Programme (IDIP) toolkit. The toolkit was revised in 2010 in partnership with the Construction Industry Development Board (cidb) and National Treasury. It has three delivery processes, namely: Portfolio Management; Project Management and Operations Management. Importantly, it has a Construction Procurement Strategy that enables faster processes in the delivery of infrastructure.

The Department has access to three key infrastructure budget streams: Department of Public Works capital, user departments' capital and maintenance. At national government level, the Department provides accommodation to 52 user departments including entities. The implementation of projects on the building programme, funded by both the Department and user departments at Head Office level and throughout the eleven Regional Offices is significant for job creation. The infrastructure budget of the Department is prioritised on the following programmes: accessibility of State-owned buildings by people with disabilities, Dolomite Risk Management, Land Ports Of Entry, Inner - City Regeneration, Special and Major Projects and the Department of Public Works own office accommodation.

To comply with the prescripts of GIAMA regarding planning for State immovable assets, DPW continues to provide support to user departments in developing User Asset Management Plans (UAMPs). GIAMA guidelines also apply to the provincial sphere of government and the Department is in discussion with the Department of Cooperative Governance on extending GIAMA principles to the local government sphere.

As the infrastructure developer of the state, the Department is also expected to play a leading role in the implementation of Government infrastrucuture investment and job creation programmes, in support of Outcome 4 of Government. The Department continues to provide leadership in the implementation of the EPWP. The incentive grants and the participation of the NGO sector in EPWP phase II, have contributed positively to the up - scaling of the programme.

Government will continue to implement the Expanded Public Works Programme (EPWP) as one government's medium to long-term strategies to contribute to government's goals of alleviating poverty, developing local communities, providing work opportunities and enhancing social protection. The National Development Plan and the New Growth Path both allude to this requirement of EPWP. It is in this regard that the third phase of the EPWP will be implemented. The EPWP in its third phase will not only focus on the creation of work opportunities but also the qualitative impact of the programme in terms of beneficiaries, as well as community services and assets created.

The Department remains responsible for the regulation and transformation of the construction and property sectors to address skewed ownership patterns in both sectors while continuing to support an enabling environment where emerging contractors develop into sustainable businesses. Current key initiatives to achieve this aim include compliance to the Construction Sector Charter Codes; the implementation of National Contractor Development Programme-driven by the Construction Industry Development Board (cidb) and the Contractor Incubator Programme (CIP). On the other hand, through the Property Incubator Programme (PIP) and continued participation in the Property Sector Charter Councils, the Department will facilitate change in the property sector.

### *2.1.3 Service Delivery Improvement Plan (SDIP)*

The Department has developed a Service Delivery Improvement Plan (SDIP) for the medium-term. The Department has also commenced working towards implementation of the Service Delivery Operations or Management Framework developed by the DPSA. The Framework puts in place the capacity for planning, developing, implementation and institutionalisation of service delivery tools, systems, processes, mechanisms and intervention programs that are meant to improve and institutionalise quality service delivery to all. This process will result in the development of a Service Delivery Model for the Department, as well as revised business processes, service standards and charters during the year ahead. These interventions, to be carried out with the assistance of National Treasury and the DPSA, particularly the business model and processes, will utilise and be aligned to the Infrastructure Delivery Management System as the methodology for the delivery of infrastructure in the Department of Public Works. The Service Delivery Management Framework (in association with the IDMS) will assist the Department to incrementally improve and sustain quality service delivery and is a fundamental intervention to the manner in which it delivers on its core mandate.

### *2.1.4 Key policy developments and legislative changes*

The Construction Industry Development Board (cidb) amendment Regulations 2013 came into effect on 01 August 2013. The amendments will improve the cidb's Register of Contractors as a risk mitigation tool while addressing the developmental challenges of the emerging contractors in the construction sector. The Regulations further align the registration requirements to the cidb Register of Contractors with the business and operating environment of the construction industry.

The Draft Built Environment (BE) Policy stems from the review of the current built environment regulatory framework. The Draft Policy seeks to improve transformation, public protection, integrity of the professions and governance. Following consultation with key stakeholders, the Draft BEP Policy was revised and will be gazetted during the 2014/15 financial year, for public comment.

The Department, together with Council for the Built Environment (CBE) and the six (6) Built Environment Professional Councils (BEPCs), developed draft built environment Policy Frameworks to clearly define the public functions of CBE and the BEPCs. During 2013/14 financial year the Professional Registration, Accreditation of Built Environment Programs, Code of Conduct for Registered Persons and International Agreements Policy Frameworks were approved. The draft Policy Frameworks on Identification of Work and Guideline Professional Fees were submitted to the Competition Commission to ensure compliance with the Competition Act, 1998. The outstanding Policy Frameworks will be finalised during the 2014/15 financial year.

A mandate for the Independent Development Trust (IDT) has been developed that will amongst others address the sustainability of the entity. An appropriate Human Resource and Finance models will be finalised in the 2014/15 financial year.

The comprehensive review of the Expropriation Act, 1975 culminated in the Draft Expropriation Bill 2014 that aligns the expropriation process to the Constitution and brings about uniform procedures for all expropriating authorities. Consultation on the Draft Bill was extensive, and included engagements at NEDLAC. Draft Bill will serve before Cabinet in the new financial year towards tabling in Parliament.

To improve the governance and operations of the Department a plethora of policies were under review and new policies initiated. During the 2013/14 financial year the following policies were approved:

| Unit | Name of Policy |
|---|---|
| Monitoring& Evaluation | Policy Framework for Monitoring, Reporting & Evaluation of Performance Information in the Department of Public Works |
| Security Management | Vetting Policy |
| Strategic Management Unit | Framework for the Planning of Performance Information |
| HRM& HRD | Job Evaluation<br>Recruitment<br>Sports and Social Activities |
| Finance & Supply Chain Management | Supply Chain Management |
| PMTE | Expenditure and Payables<br>Related Party Disclosures<br>Financial Misconduct<br>Planning and Budgeting<br>Revenue and Receivables<br>Accounting and Financial Reporting<br>Bank and Cash Management<br>Damage and Loss Control |
| Property Policy Development | Immovable Asset Disposal |

## 2.2. Strategic Outcome Oriented Goals

The Department contributes to about 5 outcomes as stipulated in the Executive Authority's performance agreement. Attention is paid to three sector outcomes: decent employment through inclusive economic growth (Outcome 4); sustainable human settlements and an improved quality of household life (Outcome 8) and an efficient, effective and development oriented public service and an empowered, fair and inclusive citizenry (Outcome 12). The Department also provides full support to the realisation of a skilled and capable workforce (Outcome 5) and the creation of an efficient, competitive and responsive economic infrastructure network (Outcome 6).

### 1. Outcome 4 (Chapter 3 of the National Development Plan): Decent employment through inclusive economic growth

The mandate of EPWP is to provide work opportunities and income support to poor and unemployed people through labour intensive delivery of public and community assets and services, thereby contributing to development. During Phase 2 of the EPWP, 4,066,691 work opportunities were created against a target of 4,500,000 work opportunities. In the 2013/14 financial year alone the EPWP created 1,012,664 work opportunities. The average annual income for each work opportunity was R4,672. Beneficiary surveys indicate that the majority participants in the EPWP were poor. Sixty per cent (60%) had income levels below the poverty line used in the National Development Plan (NDP) and 32% had income levels that fall below half this poverty line. For the poorest group, the EPWP doubled their annual household income.

The EPWP also improves the lives of the poor by providing a wide range of services and assets. For example it provides home-based care for the sick and elderly and by removing invasive alien plants it creates better pastures for grazing of cattle, improved water resources and through better roads, it creates better access to markets, school and clinics.

Another equally important achievement of the EPWP is that it provides people with an opportunity to work, enhancing their dignity and self - esteem, and so contribute to the development of their communities and ultimately the country. Approximately half of all EPWP participants were unemployed for more than three years prior to working in the EPWP. For them, finding work in the conventional market economy remains rare and only the EPWP provides a rare chance to work and earn an income.

These achievements have entrenched the EPWP as an important element of the Government's plan going forward, as articulated in both the New Growth Path (NGP) and the National Development Plan (NDP).

### 2. Outcome 5 (Chapter 9 of the National Development Plan): Skilled and capable workforce to support an inclusive growth path

The Department has successfully implemented its strategy to bring in skilled graduate professionals through programs such as Young Professional, Internship, Learnerships and Artisan Development programs. A total of 2,857 beneficiaries have participated in the Department's skills development program over the past 5 years with 81 young professionals, 2,227 interns, 328 learners, 56 management trainees and 33 artisans trained. 132 Bursaries for study in the Built Environment are being sponsored. These programs go beyond providing bursaries to students and include comprehensive support programs, experiential training opportunities as well as the provision of job opportunities for technical graduates. The young professional program is a highly successful training and skilling program, and has managed to professionally register 52 Young Professionals. Twenty seven (27) young professionals have been absorbed into vacant positions in the staff establishment of the Department.

## 3. Outcome 6 (Chapter 4 of the National Development Plan): Efficient, competitive and responsive economic infrastructure network

The Department is the custodian of a sizeable property portfolio, with State-owned buildings and structures varying in age from a few hundred years old to newly constructed. The Department has significantly updated the Immovable Asset Register with physical verification for 40,640 land parcels completed and 15,456 land parcels vested to date. High level condition assessments are conducted on all State-owned facilities as part of the Custodian Asset Management Plan (C-AMP). Over the past 5 years, the Department has completed 798 planned maintenance projects to the value of 1.6 billion and rehabilitated 34 State-owned buildings in order to improve the physical condition and reduce the maintenance backlog. Through the Accessibility Program, 229 buildings are now accessible to persons with disabilities.

## 4. Outcome 8 (Chapter 8 of the National Development Plan): Sustainable human settlements and improved quality of household life

Since 1994, the main challenge for rural development has been marginalisation of the poor. Government's key objective in this regard is to create spatially, socially and economically well integrated rural areas-across municipal, district and provincial and regional boundaries - where residents have economic growth, food security and jobs as a result of agrarian transformation, land reform and infrastructure development programs. The Department has released 1,333.4975 hectares (12 properties) and 2,935.2280 hectares (35 properties) of land to various Municipalities, Provincial Government, Housing Development Agency and Department of Rural Development and Land Reform respectively in various rural areas over the past 5 years for developmental purposes.

## 5. Outcome 12 (Chapter 13 of the National Development Plan): Efficient, effective and development oriented public service

The Department has access to three key infrastructure budget streams namely, the Department of Public Works Capital, user departments' capital and maintenance budgets. At a national level, the Department provided accommodation to 52 user departments and entities. Through the implementation of the building program funded by the user departments (PMTE Capital), the Department has over the past 5 years completed 1,161 capital projects with a total capital investment of R4.3 billion. This figure represents only projects completed and excludes those which are still in construction and due to be completed in the next MTEF. Under the Public Works capital program for the performance period a total R0.9 billion has been spent on the public assets for the use of Public Works and the Border Control Operation Coordinating Committee cluster which oversee operations at Land of Ports of Entries.

The leasing periods for private leases range from 1 year to 9 years 11 months. The Department has managed a portfolio of approximately 2,700 leases on an annual basis spread across 11 Regional Offices. In line with the transformation agenda of the country, the Department has implemented a BEE policy which informs leasing decision-making. As part of the lease review project, under the Turnaround Plan, a comprehensive audit of leases and the establishment of a lease management framework have been completed. 2,162 office leases desktop review was completed to determine key issues on the lease management processes within the Department. Physical verification was done on 2,143 leased buildings to establish occupancy, and size.

## 2.3 PERFORMANCE INFORMATION BY PROGRAM

**The Department has 5 Programmes and below is a brief description of each program.**

### Programme 1: Administration

**Purpose:** To provide strategic leadership and support services, including the accommodation needs and overall management of the Department.

**Strategic Objectives**: To ensure effective corporate governance and sound resources management.

**Sub-Programmes:**

1. Ministry
2. Management
3. Corporate Services
4. Office Accommodation

### Programme 2: Immovable Asset Management

**Purpose:** To provide and manage Government's immovable property portfolio in support of Government's social, economic, functional and political objectives.

**Strategic Objectives**: Provide strategic leadership in effective and efficient immovable asset management and the delivery of infrastructure programs

**Sub-Programmes:**

5. Strategic Asset Investment Analysis
6. Projects and Professional Services
7. Inner City Regeneration
8. Operations Management
9. Key Accounts Management
10. Prestige Management

### Programme 3: Expanded Public Works Programme

**Purpose:** To ensure the creation of work opportunities and the provision of training (in targeted Sub-Programmes) for unskilled, marginalized and unemployed people of South Africa by coordinating the implementation of the Expanded Public Works Programme.

**Strategic Objectives**: To promote an enabling environment for the creation of both short and long term work opportunities, so as to contribute to the national goal of job creation and poverty alleviation

**Sub-Programmes:**

11. Expanded Public Works Programme

12. Performance - based Incentive Allocations

## Programme 4: Property and Construction Industry Policy Regulation

**Purpose:** To regulate and promote the growth and transformation in the construction and property industries. Promote uniformity and best practices in construction and immovable asset management in the public sector.

**Strategic Objectives**: To ensure transformation and regulation of the construction and property industries to ensure economic growth and development.

**Sub-Programmes:**

13. Construction Industry Development Programme

14. Property Industry Development Programme

## Programme 5: Auxiliary and Associated Services

**Purpose:** To provide for various services, including compensation for losses on the Government - assisted housing scheme and assistance to organisations for the preservation of national memorials. Meet the protocol responsibilities for state functions.

**Strategic Objectives**: To ensure improved service delivery in all Departmental programs to meet clients' expectations and leverage stakeholder relations.

**Sub-Programmes:**

15. Compensation for Losses

16. Distress Relief

17. Loskop Settlement

18. Assistance to Organisation for Preservation of National Memories

19. State Functions

20. Sector Education and Training Authority

*2.3.1 Performance indicators*

**Programme 1 - Administration**

| **Sub - Programme: Internal Audit and Investigation Services** | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of Internal Audit Plan developed and approved annually by April 2013 | Internal Audit Plan approved by ARMC on 29 May 2012 | 1 Internal Audit Plan developed and approved 25 April 2013 by Audit & Risk Management Committee | 1 Final Internal Audit Plan<br>1 Revised Internal Audit Plan | **Target Achieved** | No comment on deviation |
| Number of reports issued to EXCO and Audit and Risk Management Committee for 2013/14 based on the Internal Audit Plan | 2 Internal audit reports issued to EXCO and Audit and Risk Management Committee Cumulative performance is at 65% and Actual performance is 19.5% H.R data analysis/staff complement (IT) Audit Transfer payments - entities | 9 Internal Audit reports per annum issued quarterly to EXCO and Audit & Risk Management Committee | 15 of 17 Projects reports issued amounting to 88% | **Target Achieved** | No comments on deviation |

| Sub - Programme: Internal Audit and Investigation Services | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Reviewed and implemented fraud prevention strategy for DPW incorporating awareness programs and investigations | Reviewed Process underway<br>5 Awareness presentation conducted at Head office and workshops<br>1 Article published in worx - news<br>Progress report presented to ARMC on 05 February 2013 - 3 investigations completed, 32 investigations at reporting stage, 35 investigations at execution stage | 12 Awareness Workshops | 25 Fraud Awareness Workshops conducted | **Target Achieved** | The planned Annual target was exceeded as a result of the *Ad Hoc* requests from the Human Resource Development to conduct induction of new employees / trainees at Head Office |

**Sub - Programme: Strategic Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of Annual Performance Plans for 2014/15 compliant with Treasury Regulations and other relevant prescripts tabled in Parliament | The final 2013/14 Annual Performance Plan was tabled in Parliament on 12 March 2013. The strategic plan was not revised and re - tabled as approved by the Minister for the 5 - year period | 1 Annual Performance Plan for 2014/15 compliant with Treasury Regulations and other relevant prescripts developed and tabled in March/April 2014 | 1 Annual Performance Plan compliant with NT Regulations tabled in Parliament on 12 March 2014.<br>In addition, the 5 Year Strategic Plan for the period 2014 - 2019 was tabled in parliament | **Target Achieved** | No comment on deviations |
| Number of training sessions conducted with Branches/ Business Units/Regions for 2013/14 on Performance Information | N/A | 3 Branches/Business Units /Regions trained on Performance Information by 31 March 2014 | 3 Training Sessions conducted on Performance Information | **Target Achieved** | No comment on deviations |
| Number of risk registers (strategic and operational) updated for each Head Office Branch and Regional Office | Annual risk assessment reviews for 2012/13 was conducted for all branches in head office and 11 regional offices.<br>2012/13 risk registers are in place for head office and regions | 1 Risk register per Branch/Business unit at Head Office and Regional Office updated for 2014/15 | Risk reviews for 2014/15 financial year for Head Office and Regional Offices conducted and risk registers updated.<br>High level risk register reviewed for 2014/15 and approved by the Accounting Officer | **Target Achieved** | No comment on deviations |

**Sub - Programme: Strategic Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of risk management training sessions and risk management awareness workshops conducted | N/A | Risk Management training provided to Risk Management Committee (RMC); EXCO and Chief Directors<br>Risk Management awareness workshops for 13 Head Office Branches/Business Units and 11 Regions conducted for 2013/14.<br>Co ordinate and issue appointment letters for 8 risk champions at Head Office 11 Regional Offices | 3 Training sessions conducted on Risk Management training for RMC members, EXCO and Chief Directors<br>Risk awareness workshops conducted for Regional Offices.<br>Appointment letters for 8 Risk Management Champions at Head Office and 11 Regional Offices issued. | **Target Achieved** | No comment on deviations |
| Strategic Knowledge Management system | | DPW centralised policy and procedures portal created within Knowledge Base System | Policy portal created on the Knowledge Based System | **Target Achieved** | No comments on deviation |

| Sub - Programme: Monitoring and Evaluation | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Approved M&E Policy/ Guidelines by 31 March 2014 | Policy reviewed and guidelines completed and ready for approval | M&E Policy institutionalized through training and reviewed M&E Policy by 31 March 2014 | M&E Policy Approved on the 6th of June 2013 and institutionalised in the Department through training | **Target Achieved** | No comments on deviation |
| Number of reports (Annual and Quarterly) submitted to Stakeholders (NT, AG and Parliament). | N/A | Performance Information (Chapter 2) of the Annual Report completed in accordance with National Treasury guidelines | Performance Information (Chapter 2) of the Annual Report completed in accordance with National Treasury guidelines | **Target Achieved** | No comments on deviation |
| | N/A | 4 Quarterly Reports on predetermined objectives completed | 4 Quarterly Reports on predetermined objectives completed | **Target Achieved** | No comments on deviation |
| Number of evaluation reports on DPW performance and financial information | N/A | 2 Evaluation reports on DPW performance and financial information completed | Completed 1 evaluation report on DPW performance 1 April 2013 to 31 December 2013 | **Target Not Achieved** | Due to increased demand for M&E services during the period and such demand did not match the capacity |
| Developed set of customised performance indicators with the Public Works Sector annually by August 2013. | N/A | Customised performance indicators developed with Provincial Public Works Sector by 31 March 2014 | Customised performance indicators developed with Provincial Public Works Sector in June 2013 | **Target Achieved** | No comments on deviation |

| Sub - Programme: Intergovernmental Relations | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of coordinated internal executive meetings and management of DPW's interaction and engagement with Parliament and organs of state in all spheres of government | 53 meetings involving spheres of government and consultative meetings on Ministerial public participation programme were coordinated and facilitated.<br><br>33 meetings pertaining to DPW engagements with Parliamentary Committees were coordinated<br><br>3 oversight visits (Limpopo, 2 Western Cape) by Parliamentary Committees were coordinated<br><br>All four 2012/2013 quarterly performance review meetings between the Minister and 4 DPW public entities were held<br><br>37 Governance structures meetings were coordinated as follows; 12 Excoand 7 special Exco, 9 Mintop, 4 HOD's forum, 5 Minmec | Approved corporate IGR strategy and internal governance charters implemented by facilitating a total of 72 meetings and programmes | A total of 99 meetings and programmes were facilitated<br><br>20 consultation meetings with spheres of government coordinated<br><br>20 briefings session with Parliamentary Committees held 04 oversight visits<br><br>18 NEDLAC Development Chamber meetings were facilitated<br><br>41 Internal top governance structure coordinated | **Target Achieved** | No comment on deviation |

| Sub - Programme: Intergovernmental Relations | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of approved parliamentary documents pertaining to DPW Public Entities as per PFMA tabled - (Strategic Plans, Annual Reports, Questions, International Agreements and Bills) | All Strategic Plans and Annual Performance Plans for 4 DPW & 4 entities and 6 Professional Councils were tabled | 4 Strategic Plans, 2 APP and 4 Annual Reports tabled for ASA, CBE, cidb and IDT | 4 Annual Reports , 4 Strategic Plans and 4 APPs for IDT, CBE, Cidb and ASA as approved by Minister were tabled in Parliament as per the PFMA requirement | **Target Achieved** | No comment on deviation |
| Number of coordinated quarterly performance review meetings between Executive Authority and 4 DPW entities and appointment of Boards/ Councils. | | quarterly performance review meetings between Executive Authority and DPW Public Entities coordinated<br>Appoint new members of Professional Councils: SACAP; SACLAP; SACQSP; SACPVP; SACPCMP; Cidb | A total of 3 quarterly technical performance review meeting coordinated with CBE, cidb, IDT and ASA<br>Nomination process of all Professional Councils was concluded at the departmental level. SACAP and SACPCMP is pending Executive Authority approval. | **Target Achieved** | No comments on deviation |

| Sub - Programme: Finance and Supply Chain Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator 2013/14** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Completed SCM Policy, Directives, Delegations, Business Processes and Structure by 31 March 2014. | N/A | SCM policy, directives, delegations, business processes and structure developed by 31 March 2014. | SCM Policy, Directives, Delegations, Business Processes and Structure developed at 31 March 2014. | **Target Achieved** | No comments on deviation |
| Completed Framework for Demand Management by 31 March 2014. | N/A | Framework for the institutionalization of Demand And Acquisition Management developed by 31 March 2014. | Framework for a Document Management capability developed and completed at 31 March 2014 | **Target Achieved** | No comments on deviation |
| Completed Framework for the institutionalization of an improved Acquisition Management function by 31 March 2014. | N/A | Framework for the institutionalization of an improved Acquisition Management function developed by 31 March 2014. | Accounting and billing system not developed by 31 March 2014 | **Target Not Achieved** | Review of system description and amendment to processes are still at the development stages, however blue prints on how the system will work were developed and will be aligned to processes. The system development took longer than anticipated hence the blue prints were only developed in the 4th quarter. |
| Completed Framework for a Contract Management capability by 31 March 2014. | N/A | Framework for a Contract Management capability developed by 31 March 2014. | Framework for a Contract Management capability developed and completed at 31 March 2014 | **Target Achieved** | No comments on deviation |

| Sub - Programme: Finance and Supply Chain Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator 2013/14** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Completed Framework for a Documentation Management capability by 31 March 2014. | N/A | Framework for a Documentation Management capability developed by 31 March 2014. | Framework for a Document Management capability developed and completed at 31 March 2014 | **Target Achieved** | No comments on deviation |
| Develop an accounting ability that is fully compliant with accounting standards applicable by 31 March 2014. | N/A | Accounting and billing system developed by 31 March 2014. | Accounting and billing system not developed by 31 March 2014 | **Target Not Achieved** | Review of system description and amendment to processes are still at the development stages, however blue prints on how the system will work were developed and will be aligned to processes. The system development took longer than anticipated hence the blue prints were only developed in the 4th quarter. |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Submission of an approved HR Plan to DPSA by 01 April 2014 | N/A | Compile the DPW HR Plan(including workplace skills plan, artisan programme, resourcing of core business of DPW) and submit to DPSA by April 2014 | HR Plan for MTEF period 2014 /15 approved and submitted to DPSA | **Target Achieved** | No comments on deviation |
| Department of Public Works functional organisational structure updated and approved by Minister by 31 March 2014 | N/A | Department of Public Works functional organisational structure updated and approved by Minister by 31 March 2014 | Produced an updated, cost and approved organisational structure. | **Target Achieved** | No comments on deviation |
| Number of awareness campaigns conducted to address employee wellness within the Regional Office. | N/A | 4 Employee Health and Wellness programmes (emotional, substance abuse, debt management, awareness & education, physical wellness) workshops conducted in the Regional Office by 31 March 2014. | All Wellness programmes were conducted as planned | **Target Achieved** | No comments on deviation |
| Number of workshop seminar on Gender Disability and Youth mainstreaming conducted for DPW and external stakeholder | N/A | 8 workshops | 13 workshops | **Target Achieved** | Target exceeded due to increased workshop requests from the regional offices of the Department of Public Works |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of progress report submitted to EXCO; on international human rights instrument on the mainstreaming of Gender/ Disability and Youth through recruitment, procurement, constitution of Committee and Job creation in all DPW programmes | N/A | 4 compliance reports | 4 compliance reports compiled | **Target Achieved** | No comments on deviation |
| Development of an integrated Asset Management System. | N/A | Complete initiation phase (requirements, business case and procurement) for the(Integrated Financial Management System) IFMS HR module by 31 March 2014<br><br>Complete WCS development, testing and training by 31 March 2014 | Initiation phase (requirements, business case and procurement) for the(Integrated Financial Management System) IFMS HR module not completed<br><br>WCS development, testing and training not yet completed | **Target Not Achieved** | The developmental team is focusing on WCS. This initiative is now a joint effort between SITA and DPW. |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of security clearances of prioratised personnel issued by Head Office | 99 Vetting files were completed and sent to the SSA for further handling and 32 security clearances were received | 100 prioratised personnel to be vetted at Head Office (Regional Office included) by 31 March 2014 | 102 Vetting Field Work completed and 77 security clearance certificates were issued. Target Achieved | **Target Achieved** | No comments on deviation |
| Number of companies screened at Head Office | 246 of the 246 company screening requests were received and processed | 150 companies to be screened (including regional offices) by 31 March 2014 | 1,998 company requests was received and screened. Target overachieved. | **Target Achieved** | This target was over achieved. The target for the next financial year was adjusted based on this financial year baseline.<br>The over achievement was due to the large number of requested from the regional offices |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of Public Works buildings upgraded through physical security measures | N/A | Physical Security measures installed at CGO, Nippily House, Public Works House, City Centre, Durban Regional Office and Polokwane Regional Office by 31 March 2014 | Physical Security Assessments were conducted at Public Works House and implementation of physical security measures are waiting decision on the future use of the building by the department. Security assessment was also conducted at the Polokwane Regional Office. Physical security assessment was conducted at City Centre<br>Physical security measures implemented at Durban Regional Office. Minimum security interventions have been affected at Unipolar house. | **Target Achieved** | No comments on deviation |
| Number of legal opinions provided to Ministry and DPW within 10 days for each referred case | Opinions - 517<br>Oral - 298<br>Written - 219 | 100% legal opinions provided within 10 working days of receipt of request. | All requests were processed.<br>Written - 112<br>Oral - 253<br>These opinions were responded to within the target of 10 working days. | **Target Achieved** | No comments on deviation |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of contracts amended, drafted and commented on based on request | Contracts:<br>Signed - 663<br>Drafted - 41<br>Amended - 5<br>Commented - 1<br>Guarantees:<br>Received - 28<br>Released - 33<br>Called up - 1<br>Cancelled - 1 | 100% referred contracts drafted amended or commented on within 10 days | 100% referred contracts drafted amended or commented on within 10 days<br>Signed - 526<br>▪ Drafted - 5<br>▪ Amended - 5<br>▪ Commented - 0<br>▪ Guarantees received - 14<br>▪ Guarantees released - 25<br>▪ Guarantee called up - 5<br>▪ Guarantees cancelled - 4 | **Target Achieved** | No comments on deviation |
| Number of high profile brand recovery plans executed for DPW | N/A | Reposition DPW as a brand to the citizen through 10 Ministerial Public Participation Programmes (MPPP) by 31 March 2014 | 27 Ministerial Public Participation Programmes Events<br>7 Departmental DPW Events | **Target Achieved** | The figure includes Ministerial Roadshows to Regions after a decision to cancel a central launch event on Change Management and Turn Around update |

**Sub - Programme : Corporate Services**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of exchange programmes identified in the consolidation of the African Agenda by 31 March 2014 | N/A | 2 Exchange programmes and Institutional capacity building initiatives conducted within Public Works sector in the SADC region (e.g. Zambia) by 31 March 2014 | 1 exchange programmes achieved | **Target Not Achieved** | The second exchange programme was not achieved due to unavailability of the Namibian counterparts, to discuss new dates for the DPW technical team to visit Namibia and to finalise the action plan |
| Number of areas Identified for training opportunities through the South - South and North - South relations by 31 March 2014 | N/A | Identify and facilitate 2 areas for training opportunities within the BRICS countries (e.g India) | Identification of training opportunities within BRICS countries done | **Target Not Achieved** | To follow - up with HRD on the implementation in respect of the training opportunities |

**Programme 2 - Immovable Asset Management**

| Sub - Programme: Asset Investment Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of properties populated with essential information in accordance with National Treasury's minimum requirements on DPW's Immovable Asset Register | 70,998 properties populated with desktop information (e.g. SG Diagram numbers, Extent etc) | Verify 54,647 properties in accordance with National Treasury's minimum requirements on DPW's Immovable Asset Register by 31 March 2014:<br>▪ Cape Town - 9,164<br>▪ Durban - 7,650<br>▪ Mmabatho - 4,809<br>▪ Nelspruit - 3,943<br>▪ Polokwane - 5,181<br>▪ Port Elizabeth - 4,027<br>▪ Pretoria - 6,054<br>▪ Umtata - 1,326<br>▪ Bloemfontein - 4,751<br>▪ Kimberley - 3,673<br>▪ Johannesburg - 3,964<br>▪ Foreign properties (Head Office) - 105 | 99,140 properties verified through physical verification and updated in accordance with National Treasury's minimum requirements on DPW's Immovable Asset Register by 31 March 2014 | **Target Over Achieved** | Physical verification of Assets commenced in September 2013 due to the finalisation of GRAP component definition, approval of Secondary Service Providers' (SSP) project execution plans, configuration of the server for the software tool and security clearance of SSP fieldworkers |

**Sub - Programme: Asset Investment Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of land parcels confirmed, vested and item 28 (1) certificates issued | 1,263 land parcels vested | Confirm ownership (Vesting) of 5,540 land parcels by 31 March 2014.<br>▪ Port Elizabeth & Umtata - 606<br>▪ Bloemfontein - 268<br>▪ Johannesburg & Pretoria - 838<br>▪ Durban - 1,132<br>▪ Polokwane - 593<br>▪ Nelspruit - 483<br>▪ Kimberley - 234<br>▪ Mmabatho - 513<br>▪ Cape Town - 873 | 1,174 land parcels confirmed ownership (Vesting) by 31 March 2014 | **Target Not Achieved** | Of the 4,366 vesting applications in process, a total of 3,942 applications were recommended by PSLVDC and are in the final vesting stages within DRDLR |
| Number of C-AMPs for 2014/15 updated | Portfolio C-AMP chapters completed consolidation of C-AMP in progress<br>DPW CWIP and PMIP for 2013/14 are approved | 2014/15 C-AMP updated by 31 March 2014 | 2014/15 C-AMP completed.<br>2015/16 C-AMP chapters completed | **Target Achieved** | No comments on deviation |
| Number of DPW CWIP and PMIP compiled according to updated C-AMP | N/A | Compilation of 1 DPW CWIP and 1 PMIP for 2014/15 based on updated 2014/15 C-AMP by 31 March 2014 | 2014/15 PMIP & DPW CWIP approved | **Target Achieved** | No comments on deviation |

**Sub - Programme: Asset Investment Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of State-owned buildings rehabilitated nationally as per the PMIP | Rehabilitated 6 properties | Rehabilitate 15 properties which will contribute to the reduction of the lease portfolio as per PMIP<br>▪ Durban - 4<br>▪ Kimberley - 3<br>▪ Polokwane - 1<br>▪ Umtata - 6<br>▪ Nelspruit - 1<br>by 31 March 2014 | 3 properties rehabilitated (DBN = 1; PE = 1 &KBY = 1) | **Target Not Achieved** | 3 delayed by supply chain process ;<br>4 terminated due to non - performance of contractors;<br>4 contracts extended due to contractors' non - performance;<br>1 contract delayed owing to pending court case with contractor |
| Number of State-owned buildings made accessible for persons with disabilities nationally as per the CWIP. | 11 buildings were made accessible | 100 Buildings accessible as per CWIP<br>▪ Bloemfontein - 5<br>▪ Cape Town - 10<br>▪ Durban - 4<br>▪ Johannesburg - 6<br>▪ Kimberley - 10<br>▪ Mmabatho - 23<br>▪ Nelspruit - 10<br>▪ Polokwane - 22<br>▪ Port Elizabeth - 10<br>by 31 March 2014 | 15 buildings made accessible | **Target Not Achieved** | 40 delayed by supply chain processes,<br>18 projects incorporated in other refurbishment projects/cancelled and<br>27 in various phases of design and construction |

**Sub - Programme: Asset Investment Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of properties released for human settlements as identified by Department of Human Settlements and Human Settlements Agency | 4,330,026 hectares were approved for release in line with 2 human settlement development proposals | Release 19 properties for human settlement<br>▪ Bloemfontein - 2<br>▪ Cape Town - 2<br>▪ Polokwane - 14<br>▪ Johannesburg - 1<br>by 31 March 2014 | 1 property approved for release | **Target Not Achieved** | Incomplete submissions by applicants forwarded to the Department without supporting documents such as High Level Development Plans<br>Delays in receiving formal requests from Stakeholders.<br>Extensive investigations and consultations required with numerous stakeholders to enable recommendations on the release of properties |
| Number of properties released for land reform purposes as identified by DRDLR | No properties approved for Land Reform purposes | Release 16 properties for land reform purposes<br>▪ Cape Town - 6<br>▪ Polokwane - 2<br>▪ Mmabatho - 6<br>▪ Kimberley - 1<br>▪ Nelspruit - 1<br>by 31 March 2014 | No properties released of properties for land reform | **Target Not Achieved** | Incomplete submissions by applicants forwarded to the Department without supporting documents such as Research Report/Rule 5.<br>Delays in receiving formal requests from Stakeholders.<br>Delays in obtaining Land Affairs Board approvals. |

| Sub - Programme: Projects and Professional Service | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of construction projects to be completed (status 6A) nationally (within Head Office and 11 Regional Offices) as per the CWIPs and PMIP | 200 construction projects to be completed (status 6A) nationally; | 300 construction projects to be completed by 31 March 2014 (status 6A) in:<br>▪ Bloemfontein 26<br>▪ Cape Town 48<br>▪ Durban 37<br>▪ Johannesburg - 22<br>▪ Head Office - 27<br>▪ Kimberley 19<br>▪ Mmabatho - 19<br>▪ Nelspruit - 14<br>▪ Polokwane - 19<br>▪ Port Elizabeth - 28<br>▪ Pretoria - 26<br>▪ Umtata - 15 | 179 construction projects completed | **Target Not Achieved** | Accessibility projects not awarded and executed as planned, projects execution exceed contract planned completion dates |

| Sub - Programme: Projects and Professional Service | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of work opportunities created by DPW through projects in construction stage at Head Office and 11 Regional Offices | 40,000 jobs to be created nationally | 40,000 work opportunities to be created by 31 March 2014 in:<br>▪ Bloemfontein - 3,480<br>▪ Cape Town - 6,370<br>▪ Durban - 4,889<br>▪ Johannesburg - 2,889<br>▪ Head Office - 3,630<br>▪ Kimberley - 2,593<br>▪ Mmabatho - 2,593<br>▪ Nelspruit - 1,926<br>▪ Polokwane - 2,519<br>▪ Port Elizabeth - 3,704<br>▪ Pretoria - 3,407<br>▪ Umtata - 2,000 | 5,309 number of work opportunities reported | **Target Not Achieved** | Insufficient reporting of actual number of persons on site |

| Sub - Programme: Projects and Professional Service | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of Level 3 - 4 Exempted Micro Enterprises appointed on identified Construction Projects Head Office and 11 Regional Offices | R400 mil Contract Participation Goal target to accrue to Affirmable Business Enterprises | 140 Exempted Micro Enterprises appointed on construction projects by 31 March 2014 in:<br>▪ Bloemfontein - 14<br>▪ Cape Town - 14<br>▪ Durban - 14<br>▪ Johannesburg - 14<br>▪ Kimberley - 14<br>▪ Mmabatho - 14<br>▪ Nelspruit - 14<br>▪ Polokwane - 14<br>▪ Port Elizabeth - 14<br>▪ Umtata - 14 | 140 EME's not appointed on Construction Projects by 31 March 2014 | **Target not Achieved** | The program requires a set aside procurement provision and establishment of Database for qualifying contractors |
| | | Appointment of 40 Cooperatives by 31 March 2014 in:<br>▪ Bloemfontein - 4<br>▪ Cape Town - 4<br>▪ Durban - 4<br>▪ Johannesburg - 4<br>▪ Kimberley - 4<br>▪ Mmabatho - 4<br>▪ Nelspruit - 4<br>▪ Polokwane - 4<br>▪ Port Elizabeth - 4<br>▪ Umtata - 14 | No appointment of 40 Cooperatives by 31 March 2014 | **Target not Achieved** | The program requires a set aside procurement provision and establishment of Database for qualifying contractors |

**Sub - Programme: Projects and Professional Service**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| | | Appointment of 70 Contractors under Contractor Incubation Program by 31 March 2014 in:<br>▪ Bloemfontein - 7<br>▪ Cape Town - 7<br>▪ Durban - 7<br>▪ Johannesburg - 7<br>▪ Kimberley - 7<br>▪ Mmabatho - 7<br>▪ Nelspruit - 7<br>▪ Polokwane - 7<br>▪ Port Elizabeth - 7<br>▪ Umtata - 7 | No appointment of 70 Contractors under Contractor Incubation Program 31 March 2014 | **Target not Achieved** | The program requires a set aside procurement provision and establishment of Database for qualifying contractors |
| Number of trained Contractors receiving Competency Certificate | New Project | 55 Contractors (5 in each Regional Office) receives Competence Certificate through mentoring and training by 31 March 2014. | 55 Contractors (5 in each Regional Office) did not receive Competence Certificate through mentoring and training 31 March 2014 | **Target not Achieved** | The program requires a set aside procurement provision and establishment of Database for qualifying contractors |
| Number of artisan workshop facilities constructed within identified Regions | Business Case and Systems Approved | Infrastructure constructed for artisan workshops in 4 regions (Polokwane, Umtata, Pretoria, and Cape Town) by 31 March 2014. | Construction at Minaar Workshop has commenced and progress at 60% | **Target Not Achieved** | Polokwane, Mthatha, and Cape Town rescheduled for to the next term |

| Sub - Programme: Inner City Regeneration | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of sites identified for national government departments Head Office accommodation within the City of Tshwane | N/A<br>Tshwane Master plan and 2 precinct plans for Paul Kruger<br>and Salvokop completed | Submit application to City of Tshwane for the Proclamation of Salvokop as a Township by March 2014 | Salvokop Township Establishment Project Execution Plan | **Target Achieved** | No comments on deviation |
| | | Complete Precinct Development Plans for two precincts (West Capital and Paul Kruger) by September 2013 | Precinct Development Plans completed for two precincts (West Capital and Paul Kruger) | **Target Achieved** | No comments on deviation |
| | N/A | Identify 4 sites within Paul Kruger Precinct for Head Office accommodation of national departments by March 2014 | 4 sites within Paul Kruger Precinct for Head Office accommodation of national departments identified | **Target Achieved** | No comments on deviation |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of lease agreements managed by 11 Regional Offices in accordance with the approved business processes and approved directives. | Initial portfolio was 2,850 and 2,529 leases were managed for 2012/13 financial year. | Management of 2778 leases annually at the Regional Offices in accordance with the approved business processes and approved directives<br>▪ Bloemfontein - 198<br>▪ Durban - 414<br>▪ Johannesburg - 219<br>▪ Cape Town - 353<br>▪ Kimberley - 215<br>▪ Port Elizabeth - 364<br>▪ Pretoria - 243<br>▪ Mmabatho - 169<br>▪ Nelspruit - 206<br>▪ Polokwane - 201<br>▪ Umtata - 196 | Management of 2,441 lease payments<br>▪ Bloemfontein - 182<br>▪ Durban - 351<br>▪ Johannesburg - 202<br>▪ Cape Town - 324<br>▪ Kimberley - 175<br>▪ Port Elizabeth - 309<br>▪ Pretoria - 213<br>▪ Mmabatho - 155<br>▪ Nelspruit - 189<br>▪ Polokwane - 195<br>▪ Umtata - 146 | **Target not achieved** | A number of leases expired on PMIS |
| Business Case for Property Management developed and implemented by 31 March 2014. | N/A | Development of a Business Case for Property Management to guide the processes for the leasing of private property by 31March 2014. | Development of a Business Case for Property Management with Option Analysis and recommendation for Strategic Plan is completed | **Target Achieved** | No comments on deviation |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Implementation of Lease Review Turnaround recommendations by 31March 2014. | N/A | Implementation of the Lease Review Turnaround recommendations by 31March 2014 | The Lease Review Recommendations are Currently Being Implemented as per the Report i.e., New Lease Agreement, Lease Management Policy and Strategy, Operating Model and Re-engineered Business Process | **Target Achieved** | No comments on deviations |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of day-to-day maintenance calls (open and closed) managed in terms of the day-to-day maintenance guidelines. | | Appointment of a service provider to manage the day-to-day call centre by 31 March 2014<br>Management of 51049 day-to-day maintenance calls (open and closed calls) in accordance with day-to-day guidelines<br>▪ Bloemfontein - 1,870<br>▪ Durban - 7,643<br>▪ Johannesburg - 5,694<br>▪ Cape Town - 9,915<br>▪ Kimberley - 1,849<br>▪ Port Elizabeth - 2,931<br>▪ Pretoria - 12,765<br>▪ Mmabatho - 1,550<br>▪ Nelspruit - 1,265<br>▪ Polokwane - 3,785<br>▪ Umtata - 1,782 | The process underway to appoint a service provider to manage the day-to-day call centre | **Target Not Achieved** | The Call Centre will be managed In - house. |

**Sub - Programme: Operations Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Business case for facilities management developed and implemented indicatingEnvironmental scan, situation assessment, stakeholder assessment, desired outcomes, options analysis and recommendations by 31March 2014. | | Development of a Business Case for Facilities Management indicating: Environmental scan, situation assessment, stakeholder assessment, desired outcomes, options analysis and recommendations by 31 March 2014 | Development of a Business Case for Property Management with Option Analysis and recommendation for Strategic Plan is completed | **Target Achieved** | No comments on deviation |
| Number of inspections conducted on identified state facilities and leased facilities nationally for compliance to OHS Act and regulations | 3,145 buildings inspected. | 2,376 Inspections (main and follow up inspections) for state and leased facilities conducted and verification of the occupation by 31March 2014<br>Each regional office is expected to conduct 216 inspections by 31 March2014 | 2,667 Inspections (main and follow up inspections) for state and leased facilities conducted and verification of the occupation by 31March 2014 | **Target Over Achieved** | Overachievement is as a result of inspections emanating from the follow up inspections and late submission by certain Regions when the quarter reports have already been submitted to M&E Unit |

**Sub - Programme: Operations Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of inspections conducted on identified construction project sites nationally for compliance to OHS Act and regulations | Inspection of 1,091 construction projects | Conduct inspections of 589 construction projects (main and follow up inspections):<br>▪ Pretoria - 48<br>▪ Johannesburg - 51<br>▪ Cape Town - 101<br>▪ Port Elizabeth - 42<br>▪ Durban - 83<br>▪ Bloemfontein - 39<br>▪ Kimberley - 24<br>▪ Umtata - 63<br>▪ Polokwane - 51<br>▪ Mmabatho- 53<br>▪ Nelspruit - 25<br>▪ Head Office - 9 | 1,214 Inspections conducted on construction projects nationally (main and follow up inspections) | **Target Over Achieved** | Overachievement is as a result of inspections emanating from the follow up inspections and late submission by certain Regions when the quarter reports have already been submitted to M&E Unit. |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of properties verified for the payment for rates and taxes for properties under the custodianship of DPW. | 4,860 certified invoices received were paid. | Verification of 10,590 state properties for the payment of rates and taxes to municipalities for properties under custodianship of DPW 31 March 2014<br>▪ Bloemfontein - 1,321<br>▪ Durban - 1,015<br>▪ Johannesburg - 1,167<br>▪ Cape Town - 2,515<br>▪ Kimberley - 1,222<br>▪ Port Elizabeth - 1,094<br>▪ Pretoria - 85<br>▪ Mmabatho - 487<br>▪ Nelspruit - 824<br>▪ Polokwane - 597<br>▪ Umtata - 263 | 12,991 properties verified for the payment of rates and taxes to municipalities for properties under custodianship of DPW | **Target Over Achieved** | More invoices were received, verified and paid for rates and taxes |

**Sub - Programme: Operations Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of State-owned and leased properties verified for payment of municipal services. | 233,466 certified invoices received were paid. | Verification of 7,700 state properties for the payments of municipal services by 31 March 2014<br>▪ Bloemfontein - 736<br>▪ Durban - 1,034<br>▪ Johannesburg - 744<br>▪ Cape Town - 1,796<br>▪ Kimberley - 539<br>▪ Port Elizabeth - 363<br>▪ Pretoria - 480<br>▪ Mmabatho - 485<br>▪ Nelspruit - 554<br>▪ Polokwane - 698<br>▪ Umtata - 271 | 7,508 state properties for the payments of municipal services verified | **Target not Achieved** | Some invoices were not submitted by various municipalities for state properties |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| | | Verification of 1,827 lease properties for the payments of municipal services by 31 March 2014<br>▪ Bloemfontein - 144<br>▪ Durban - 251<br>▪ Johannesburg - 173<br>▪ Cape Town - 227<br>▪ Kimberley - 141<br>▪ Port Elizabeth - 236<br>▪ Pretoria - 183<br>▪ Mmabatho - 116<br>▪ Nelspruit - 128<br>▪ Polokwane - 127<br>▪ Umtata - 101 | 1,780 lease properties for the payments of municipal services verified | | Some invoices were not submitted by various municipalities for leased properties |

| Sub - Programme: Operations Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of property rental debtors managed in terms of the signed contract terms and conditions, relevant legislations/regulations and policy. | | 1,453 Property current rental debtors managed in terms of the signed contract terms and conditions, relevant legislations/ regulations and policy by 31 March 2014<br>▪ Bloemfontein - 44<br>▪ Durban - 117<br>▪ Johannesburg - 74<br>▪ Cape Town - 579<br>▪ Kimberley - 162<br>▪ Port Elizabeth - 53<br>▪ Pretoria - 214<br>▪ Mmabatho - 96<br>▪ Nelspruit - 37<br>▪ Polokwane - 60<br>▪ Umtata - 17 | 1,398 current rental debtors and vacated debtors with debit balance managed in terms of the signed contract terms and conditions, relevant legislations/ regulations and policy | **Target not Achieved** | Less or more debtors against target maybe as a result of tenant vacating the property and another tenants may occupy before payment of the previous tenant is received, which may result in 2 property codes been created |

**Sub - Programme: Key Accounts Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Updated service delivery standards for immovable asset life cycle management by 31 March 2014 | N/A | Update service delivery standards by 31 March 2014 | No update Service Delivery Standards document | **Target Not Achieved** | KAM could not foster interaction with the property unit due to Departmental changes (Turnaround strategy) in the property environment |
| Number of Service Level Agreements signed or updated between DPW and user departments | SLA signed with 2 user departments | Sign remaining 21 (of the 46) Service Level Agreements with identified user departments by 31 March 2014 | Signed SLA'S: Military Veterans and Trade and Industry, Film and Publications Board | **Target Not Achieved** | SLA'S not signed: DOD, DOC, DMR, DHA, DOL, DIRCO, CORPORATIVE GOVERNANCE, DAC, HEALTH, NT, STATS SA, GCIS, NYDA, ICASA, GPW, TRADITIONAL AFFAIRS, DPW, FINANCIAL AND FISCAL COMMISSION |
| Number of identified user departments trained on the compliance to GIAMA in terms of the UAMP | | Provide training to 10 of 43 user departments (DoD, DoJ& CD, DCS, DHA, SAPS, DoL, DWA, DRDLR, DAFF, DPW) on compliance to GIAMA in terms of the UAMP by 31 March 2014 | Workshops undertaken with 10 user departments DOJ &CD and DAFF. DRDLR, DHA, DCS, DOL, SAPS, DPW, DWA and DOD | **Target Achieved** | No comments on deviation |

**Sub - Programme: Key Accounts Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation form Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Number of progress reports submitted to the DPW Accounting Officer on the compilation and submission of User Asset Management Plans by 43 user departments and entities to National Treasury in compliance with GIAMA | | Bi - Annual progress reports submitted to the DPW Accounting Officer on the compilation and submission of User Asset Management Plans by 43 user departments and entities to National Treasury in compliance with GIAMA | No Progress report completed and submitted to the DPW Accounting Officer on the compilation of User Asset Management Plans by 43 user departments in compliance with GIAMA | **Target Not Achieved** | Only 5 UAMP were submitted by User Departments (DOD;DSD;DPW; SASSA;SAPS) 38 Client departments did not submit UAMPs hence a comprehensive report was not compiled |
| Number of user departments UAMP templates (1 - 12) completed annually as per GIAMA requirements | UAMP templates submitted to 37 user departments | Complete 43 user departments UAMP templates (1 - 12) by 31 March 2014 | Submitted populated templates to 43 User Departments | **Target Achieved** | No comments on deviation |
| Number of monthly reports submitted per user department on all implementation programs for 45 user departments | Monthly reports submitted to 44 user department for a Period of 10 months | 11 Monthly reports submitted annually to 45 user departments by 31 March 2014 | 11 Monthly Reports submitted annual to 43 User Departments. | **Target Achieved** | No comments deviation |

**Sub - Programme: Prestige Management**

| Performance Indicator | Actual Achievement 2012/13 | Planned Annual Target 2013/14 | Actual Achievement 2013/14 | Deviation from Planned Annual Target to Actual Achievement 2013/14 | Comments on Deviations |
|---|---|---|---|---|---|
| Client Value Propositions approved for 2 major prestige clients containing the following elements: Profile of the client, accommodation requirements, current service baseline, identification of the improvement gap, proposals on the improved delivery strategy and implementation, tools for monitoring service delivery by 31 March 2014. | - | Develop a framework for client value proposition that define service packages for 2 major Prestige clients by 31 March 2014 | Client value proposition framework was developed | **Target Achieved** | No comments on deviation |
| Number of policy frameworks developed for non-infrastructure service packages for prestige clients | | Develop policy framework for domestic services and interior design and décor by 31 March 2014 | Prestige policy, norms and standards developed. | **Target Achieved** | No comments on deviation |

| Sub - Programme: Prestige Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of quarterly reports completed on the compilation, submission and implementation of User Asset Management plans by 2 key Prestige clients throughout the strategic planning process in compliance with GIAMA | - | Report quarterly on the compilation, submission and implementation of user asset management plans by 2 key prestige clients throughout the planning process in compliance with GIAMA | Prestige quarterly progress report on UAMP completed. | **Target Achieved** | No comments on deviation |
| Number of quarterly progress reports completed on all implementation programmes for planning, acquisition, maintenance and disposal of accommodation for 2 key Prestige clients. | - | Report quarterly on progress on all implementation programmes for planning, acquisition, maintenance and disposal of accommodation for 2 key Prestige clients. | Provide training to 2 key Prestige Clients on compliance to GIAMA in terms of the UAMP and as a result two draft SLAs were developed. | **Target Achieved** | No comments on deviation |
| Number of service level agreements signed between DPW and 2 key Prestige clients. | - | Sign SLA's with 2 key Prestige Clients by 31 March 2014. | 2 x Draft Service Level Agreements (The Presidency and Parliament) | **Target Not Achieved** | 2 Prestige clients have not yet signed-off on the drafts |

| Sub - Programme: Prestige Management | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation from Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of clients trained on the compliance to GIAMA in terms of the UAMP. | - | Provide training to 2 key Prestige Clients on compliance to GIAMA in terms of the UAMP by 31 March 2014. | Co-ordinated a second scheduled training based on to 2 key Prestige Clients on compliance to GIAMA in terms of the UAMP and as a result two draft SLAs developed. | **Target Achieved** | No comments on deviation |

## Programme 3 - Expanded Public Works Programme

| Sub - Programme: Expanded Public Works Programme | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of municipalities reporting on EPWP targets | 247 municipalities to report on EPWP targets | 255 municipalities reporting on EPWP targets by 31 March 2014 | 271 municipalities reported on EPWP targets | **Target Over Achieved** | Technical support has been deployed to municipalities to assist them in the implementation of projects. Training of municipal officials has been conducted to assist them in implementing projects |
| Number of work opportunities created through EPWP aligned to the EPWP Business Plan targets approved by Cabinet | 941,593 work opportunities created | 1,230,000 work opportunities to be created through EPWP by 31 March 2014 | 1,012,664 work opportunities reported through EPWP | **Target Not Achieved** | Procurement delays for infrastructure projects in some of the provinces<br>Environment, Culture and Non State sectors had limited funding which affected job creation numbers |
| Percentage of EPWP participation among designated groups (percentage of women, youth and person s with disabilities) aligned to the EPWP Business Plan targets approved by Cabinet | - | 40% Youth (492,000)<br>55% Women (676,500)<br>2% Persons with disabilities (24,600) by 31 March 2014 | 49% Youth<br>61% Women<br>1.018% Persons with disabilities participated in EPWP | **Target Over Achieved**<br>On Youth and Women<br>**Target not Achieved**<br>On Persons with disabilities participated in EPWP | Due to labour intensive methods in the infrastructure sector, high unemployment rate, some public bodies give priority to beneficiaries that are unemployed and not getting a stipend than those that are receiving disability grants. |

| Sub - Programme: Expanded Public Works Programme | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of youth participating in the National Youth Service programme in the Department of Public Works per year | 1,526 learners participating in NYS | 3,500 Youth participation in the National Youth Service programme by 31 March 2014 | 718 youth participating in the NYS programme | **Target Not Achieved** | Delays in implementing projects on which NYS beneficiaries would be placed |
| Number of Expanded Public Works Programme work opportunities created on provincial access roads | 121,028 work opportunities created | 140,000 work opportunities created on provincial access roads by 31 March 2014 | 144,463 work opportunities created on provincial access roads projects were reported. | **Target Over Achieved** | Technical support has been deployed to Provincial Roads Departments to assist them in the implementation of projects. Training of Provincial Roads officials have been conducted to assist them in implementing projects |

Programme 4 - Property and Construction Industry Policy Regulation

| Sub - Programme: Construction and Property Policy | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Governance of Agrément South Africa (ASA) resolved through appropriate legislation by 31 July 2013 | RIA revised<br>Draft 3 of the ASA Bill is being finalised | Tabling legislation in Parliament addressing ASA's governance by 31 July 2013 | Draft ASA Bill approved by Cabinet for gazetting for public comment in December 2013.<br>Draft ASA Bill gazetted in January 2014 for public comments.<br>Analysis of public comments on Draft ASA Bill commenced in March 2014. | **Target Not Achieved** | Due to unexpected delays earlier in the project, the annual target (Tabling legislation in Parliament addressing ASA's governance by 31 July 2013) was not achieved. |
| Built Environment Professions (BEPs) Policy developed and approved by 31 December 2013 | Draft BEP Policy developed and circulated for comments<br>Consultation with stakeholders currently underway | Submit the final BEP Policy for Ministerial approval by 31 December 2013 | Draft BEP Policy developed and consultations held with key stakeholders.<br>BEP Policy revised and submitted for approval to gazette for public comment. | **Target Not Achieved** | Following internal consultations, the BEP policy position was revised and submitted for approval. |

| Sub - Programme: Construction and Property Policy | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| New legislative framework for expropriation tabled in Parliament by 30 June 2013 | Cabinet granted approval (13 March 2013) that draft Expropriation Bill and explanatory memorandum be published for public comment<br>Draft Bill and explanatory memorandum posted on DPW website (18 March 2013) and published in Government Gazette (20 March 2013) | Tabling of Expropriation Bill in Parliament by 30 June 2013 | | **Target Not Achieved** | Due to unexpected delays earlier in the project, the annual target (tabling of Expropriation Bill in Parliament) was not achieved. Due to workload of Cabinet, Presidency determined that draft legislation yet to be approved by Cabinet must be held in abeyance until after the general elections in May 2014. (7 March 2014). Participation in Parliamentary process will only commence upon tabling of Expropriation Bill in Parliament. |
| Governance and accountability structure of the Independent Development Trust (IDT) established by 31 March 2014 | - | IDT Business Case submitted for Ministerial approval by 31 March 2014 | IDT business case submitted for ministerial approval | **Target Achieved** | No comments on deviation |

| Sub - Programme: Construction and Property Policy | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Appropriate business model and structure of the Property Management Trading Entity (PMTE) identified by 31 March 2014 | - | PMTE Business Case submitted for ministerial approval by 31 March 2014 | PMTE Business Case submitted for ministerial approval | **Target Achieved** | No comments on deviation |

**Programme 5 Auxiliary and Associated Services**

| Sub - Programme: State Functions | | | | | |
|---|---|---|---|---|---|
| **Performance Indicator** | **Actual Achievement 2012/13** | **Planned Annual Target 2013/14** | **Actual Achievement 2013/14** | **Deviation form Planned Annual Target to Actual Achievement 2013/14** | **Comments on Deviations** |
| Number of Prestige Events supported with infrastructure related service | - | Infrastructure support provided for 12 planned Prestige Events | Infrastructure support provided for 14 planned Prestige Events<br>Infrastructure support provided for 12 unplanned Prestige Events | **Target Achieved** | No comments on deviation |

## 2.4 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Department launched the Turnaround Programme in 2012 to remedy eight consecutive years of under - performance and progressively worse audits outcomes. The Seven Year Plan to Rebuild the Department of Public Works was developed to map a process that guarantees success in restoring the Department's organisational health across all perspectives. The 7 - Year Plan primarily seeks to implement the Business Improvement Strategy and Programme to rebuild the Department of Public Works.

The Seven Year Plan marks a significant reconfiguration in the strategic direction of the Department to adequately respond to clients' needs, good corporate governance and capacity - building. Implementation of this plan will contribute towards a strengthened relationship between organisational goals and performance, greater transparency, clearer lines of accountability, and detailed information platforms to enable better oversight.

The Turnaround Stabilisation Phase focused on laying a solid foundation for the Efficiency Enhancement Phase by preparing the Department for change, improving management and administrative practices and controls, reprioritising areas of intervention based on strategic impact, the organisational structure and review of delegations for alignment with the Department strategic and core business requirements.

The Stabilisation Phase, initially comprised 23 key stabilisation projects that were conceptualised based on audit findings for financial years 2010/11, 2011/12, and 2012/13 as well as recommendations from the Special Investigation Unit (SIU) report after prioritisation, the scope was narrowed to 10 projects which were executed with verifiable achievements. The second phase - the Efficiency Enhancement began on 01 April 2014 for completed in March 2019.

The 2012/13 improved audit outcome is the first verifiable achievement that demonstrates significant improvement on management leadership, management and administrative practises and controls.

Building from the achievements of the Stabilisation Phase, the Efficiency Enhancement Phase will be driven through the Service Delivery Improvement Programme (SDIP) focusing on systems review and business process reengineering, building a performance driven culture, development and institutionalising the Result Based Management approach for long term sustainability and improved service delivery.

For impact and strategic importance, 10 projects were selected from the 23 key stabilisation projects and identified as essential drivers of the Efficiency Enhancement Phase. The third Phase will commence in April 2019 to focus on the sustainability and growth. It will apply continuous improvement principles to ensure that efficiency enhancements continue and that the Department remains relevant to its clients and other stakeholders.

### 1. Development of an Appropriate Structure

The lack of capacity to deliver on the Department's mandate effectively and efficiently is attributed largely to the lack of appropriate property management and construction professional and technical expertise. The current structure was last reviewed in 2003 and as a result does not meet the business requirements. The National Treasury approved the establishment of the Property Management Trading Entity (PMTE) in March 2006 in terms of the PFMA which is not supported by the current structure. Organisational structure review for relevance, efficiency and effectiveness is critical for service delivery improvement. It will facilitate the delegation of authority at appropriate management levels, and expedite decision making process.

The process to develop the new structure involved a series of consultation meetings with the Executive Authority, executive management, branches and units to agree on the mandate and functions of the department. The following "core functions" of the Department were confirmed in line with the White Paper (September 1997)

1. Property advisory services

2. Property development

3. Property management

4. Public Works Programs (including regulation of built environment) and

5. Expanded Public Works Program

For relevance and effectiveness, the new structure has been developed to support the operationalisation of Property Management Trading Entity (PMTE) as approved by the National Treasury in 2006 in terms of the PFMA. PMTE in the interim is being established as a super branch within the Department consisting of Asset Investment, Immovable Asset Registry of the State, Property Management, Finance and Facilities Management Branches.

### *2.4.1 Fighting Fraud and Corruption*

the Department has been consistently on the media for cases associated with corruption, mismanagement and maladministration since 2010. To redeem the brand value and integrity of the Department the Minister prioritised and Championed Fighting Fraud and Corruption project. Because of its strategic importance and findings of the investigations pointing at the Department weak governance systems, the structured approach below was developed to achieve specific deliverables within a short space of time to stop bleeding.

#### 2. Conducting special investigations

The SIU is assisting the department in terms of proclamation R38 of 2010, published in the Government Gazette on 30 July 2010 focusing on: Specific contracts and tenders; Leasing of buildings for client departments; Prestige accommodation; and General procurement irregularities.

#### 3. Improving internal Audit Technical Support

The intervention for Internal Audit focuses on additional capacity needed to deal with a backlog of internal audit and investigation requirements. With the latest developments in the Department, a lot of pressure has been experienced by Internal Audit to respond to critical audits and investigations within the time prescribed by Treasury.

#### 4. Anti - Fraud and Corruption Communication Campaign

Given the high levels of alleged and confirmed irregularities, corruption and mal - administration within the Department, a Department-wide anti-corruption awareness campaign is paramount. This appropriately is aligned to the Department's Business Improvement Plan. Anti-corruption messages will be carried throughout the national office and all the 11 regions via pamphlets, posters, newsletters, etc. In addition, anti-corruption events will also be conducted at all the Department's offices.

## 5. Governance, Risk and Compliance

The nature of the Department business requires a structured approach to deal with risk and compliance issues. To facilitate the Department's response to business requirements effectively, the Governance, Risk and Compliance Branch has been established to develop and implement a structured approach that integrates governance, planning, risk management, Service Delivery Improvement and monitoring and evaluation.

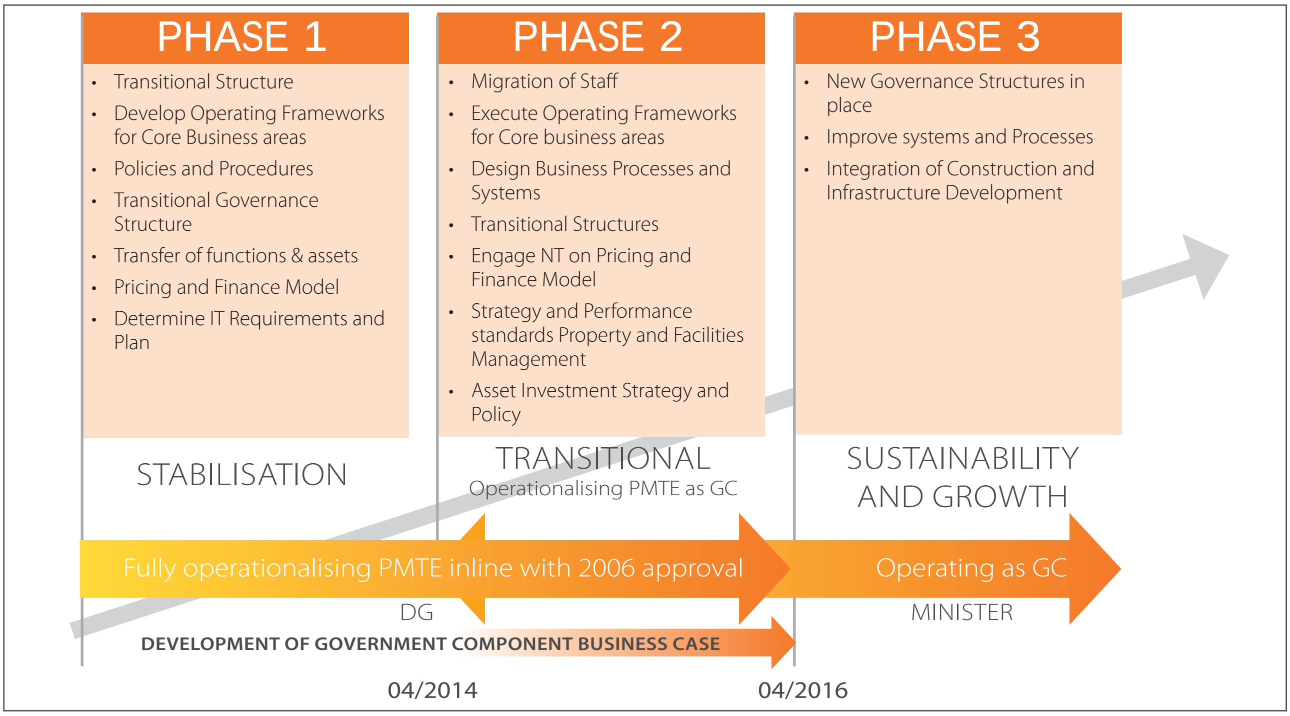
### *2.4.2 Operationalisation of the Property Management Trading Entity*

The creation of a fully - functional Property Management Entity within the Department is at the centre of the turnaround strategy; the PMTE Operational Plan for 2014/15 creates a program for the full operationalisation of the entity and its key service delivery improvements, and will drive enhanced delivery of the Department's mandate across its property and immovable asset base.

The PMTE is operationalised within the Department with different priorities to a private sector equivalent. This is not only because of the size of its portfolio of assets, but because it has to go beyond just business efficiency to generate revenue for sustainability. These priorities include using our property portfolio to: catalyse urban development, integrate labour-intensive approaches into the maintenance of our portfolio, and actively pursue green retro-fitting and accessibility. These priorities, notwithstanding organisational efficiency and cost-effectiveness, are key factors in the Operationalisation Plan.

A feasibility study was conducted on the options available regarding future institutional forms for managing the property portfolio effectively. A detailed study has been compiled recommending that a Government Component would provide crucial professional property management services to Government; it is the best form to adopt within the next few years. The Government Component would keep the management of the State assets within the public service, but allow for a focused approach with greater autonomy and a separation of the norms, standards and regulatory services of the the Department from the majority of the service provision.

**Figure 2: PMTE High Level Plan**



From the 01 April 2013, significant progress has been made in the operationalisation of the PMTE. An Acting Head of the PMTE and Head of Finance have been appointed to drive the full operationalisation of the PMTE. The key property management specialists have been appointed on the transitional management structures. In addition, a revised operating model with a matrix management approach within a portfolio arrangement has been agreed to in principle for further development and implementation. Functions and immovable assets have been transferred from the Department to PMTE. GRAP compliant financial management systems and controls were developed and implemented. Delegations have been developed for approval. GRAP compliant Itemised Accounting & billing system has been procured. The Lease Management Policy has been developed for approval. Strategy and plan to improve debt collection and to reduce overdraft has been developed for approval.

The Department received consecutive qualified audit opinions since 2008 and subsequent successive disclaimed audit opinions for 2010/11 and 2011/12 by the Auditor-General on both the Department and PMTE accounts. In response, the Department has identified a range of strategic priorities that have to be addressed over the short to medium term - Finance and SCM being the key primary focus areas to get the Department back on course.

The disclaimed audit opinions provided by the Auditor-General for the Department and PMTE are attributable to immoveable assets, irregular, fruitless and wasteful expenditure, commitments, operating leases, receivables, related party transactions, trade and other receivables, prepayments, revenue, payables, property maintenance, contingent liabilities and assets and municipal rates and taxes. Fundamentally, the root causes of the disclaimed opinions were largely attributed to poor basic internal controls, increased irregular expenditure which was not detected and reported, inadequate preparation of the financial statements and bad record keeping.

Given several years of progressively declining performance, the Clean Audit project was established to stabilise and move the Department back to financial health, accountability, transparency, credibility and compliance.

### *2.4.3 Developing a Complete and Credible Immovable Asset Register for the State (IAR)*

The Department embarked on various Business Improvement initiatives since 2001, including several attempts to compile a representative, compliant immovable asset register (IAR). A programme to rebuild and enhance a "baseline compliant" IAR by 31 March 2014 commenced in October 2011. The IAR programme has identified several interdependencies with other custodians and their asset registers as well as within the Department. It also acknowledges that the IAR should be the driver for many business processes and transactions in the Department.

The Department intends to improve the IAR from a GRAP compliant register to a more integrated value - adding tool that can properly be linked to other business processes. The IAR should also provide data for true property and portfolio management once the organisation is stable.

The primary custodians, the Department of Public Works and Department of Rural Development and Land Reform (DRDLR) assumed a collective leading role in the identification and correct classification of government immovable assets. In view of the existence of legislation which empower other authorities in the national and provincial sphere to control State immovable assets, mechanisms had to be devised to bring all the actors together towards determining, amongst other things, the extent of State immovable assets.

The two departments created an intergovernmental structure, currently known as the Provincial State Land Vesting and Disposal Committee (PSLVDC) with a view to coordinate immovable asset disposal processes as well as confirmation of vesting of all State immovable assets in the national and provincial spheres. The original idea was to prevent the possible disposal of an immovable asset controlled by one department whilst it may be required by another for its service delivery purposes. The PSLVDC also serves to achieve consensus amongst all State immovable assets controlling departments on whether an immovable asset vests in the respective national or provincial sphere.

A national surveying programme was initiated in 2011 under the leadership of the Chief Surveyor General. The plan was aimed at identifying and surveying all un-surveyed State land and State Domestic Facilities. The surveying has practically been completed except for minor 'gap areas' and 'slithers' of State land between river bank boundaries.

Though surveying has been done correctly in terms of the Land Survey Act, there are some few challenges relating to the separation of provincial facilities from larger national land parcels. This issue is currently being addressed.

An immovable asset policy for the PMTE covering all the asset management and accounting requirements has been approved. An Immovable Asset Disposal Policy was approved by the Minister of Public Works in May 2013. The development of the immovable asset register is 95% complete. 32,570 properties have been physically verified. 15,300 land parcels have been vested by the Department.

### *2.4.4 Conducting a Comprehensive Audit of Leases and the Establishment of a Lease Management Framework*

The Department is mandated to provide office, functional and residential accommodation to national departments and Political Office Bearers. In line with its mandate, the Department provides office accommodation to national departments. Accommodation is provided through the letting of own stock and leasing in from the private sector. The leasing periods range from 1 year to 9 years 11 months.

Currently the Department manages a portfolio of approximately 2,778 leased properties that includes leases of government owned properties spread across 11 regional offices. The leases are entered into on behalf of all Government Departments.

In line with the government's transformation agenda, the Department has implemented a BEE policy that informs the leasing decision-making. The sourcing of leasing accommodation starts with client departments that identify the need for accommodation and then submit a request to Department for processing.

### *2.4.5 Restructuring the Department's Supply Chain Management*

Supply Chain management is at the heart of the Department as it is responsible for provisioning of goods and services to all business operations of the department. Over time, supply chain became progressively dysfunctional and became a key focus area of the previous audit outcomes. The AGSA found that the SCM processes and controls were poor.

For this reason systems and processes overhaul within supply chain management became a stabilisation initiative. The "one-size-fits-all" approach to procurement could not be sustained in an organisation as diversified as the Department. Four discrete areas were identified for which tailored procurement regimes would be required:

- Construction Projects
- Property Management
- Goods and Services
- Prestige Services

A number of milestones have already been achieved yielding immediate improvements such as the enforcement of relevant controls. In addition, the Department became a pilot site for SCM reform in the public sector. In collaboration with the National Treasury's Chief Procurement Office the objective is to achieve the following SCM deliverables:

1. Stabilisation and efficiency enhancement of the SCM function.

2. New system for managing the supply chain and ideal model for supply chain management developed.

3. Revised supply chain management policy, protocols, directives and delegations for relevance, effectiveness and efficiency.

4. Revised supply chain management governance arrangements and controls.

5. Revised standard operating procedures, processes and tools.

6. Re - establishment of databases and panels of service providers.

7. SCM structure that support new SCM dispensations developed and populated.

8. Action plan to improve procurement and provision of goods and services to Prestige Clients, Construction Projects and Property Management.

### *2.4.6 Developing an ITC Strategy, Architecture and Platform*

The ITC systems were identified as critical to the Department's business operations and it was recognised that this area was under - resourced and lacked a clear strategy. The current infrastructure's capacity to deliver and meet the needs of end - users has been made a priority. The objective of this project is to develop clear systems and infrastructure roadmap or strategy. Going forward, significant ITC investment decisions are being made with regard to enterprise software options, on both office automation and key business support applications to provide sustainable ITC services that support the business.

### *2.4.7 Meeting the Needs of the Prestige Clients*

The Prestige portfolio is one of the high profile functions in the Department. As the provider of residential and office infrastructure and supporting services to a wide range of high - profile clients' prestige is also tasked with the management of various National events and State Visits.

The portfolio manages approximately 250 assets in Western Cape, KZN and Gauteng, including Parliamentary Estates, the Parliament Precinct, the Union Buildings and executive housing. Key clients include the Presidency (the President and Deputy President, former Presidents and Deputy Presidents), the Judiciary (Chief & Deputy Chief Justice), Ministers, Deputy Ministers, and Executives, Directors - General (in Cape Town only), Eminent People and visiting dignitaries.

A key initiative of this portfolio was the development of norms and standards for the Prestige portfolio in the year under review for which approval will be sought from Cabinet in the new financial year.

### *2.4.8 Improving Infrastructure Delivery through Application Infrastructure Delivery Management System (IDMS)*

The mechanisms of IDIP outline the best practice on how to structure the value chain process for delivering public infrastructure. The IDIP recognises that infrastructure follow four key transformational milestones (life cycle stages) being infrastructure planning, infrastructure acquisition, infrastructure management, disinvestment/ refurbishment (which is the asset management strategic role). The Department will build professional capacity and capabilities to plan infrastructure based on the actual needs of Users (UAMP's/CAMP's), capacity to develop appropriate acquisition strategies and acquisition, the ability to manage properties in the best interest of the state, and continuously find best use of existing properties to meet future demands. The adoption of the IDIP process implies a total restructuring of the current value chain process which if not implemented may compromise the delivery of infrastructure along the value chain. Within the Project Management environment, progress has been made in documenting new project management forms, and delegations. The process of reprioritising projects implementation dates and adjustments of budget allocation has commenced.

## 2.5 LINKING PERFORMANCE WITH BUDGETS

**TABLE 12: Budget Allocation and expenditure**

| | 2013/14 | | | | 2012/13 | | |
|---|---|---|---|---|---|---|---|
| | Final Appropriation | Actual Expenditure | Variance | Expenditure as % | Final Appropriation | Actual Expenditure | Expenditure as % |
| | R'000 | R'000 | R'000 | % | R'000 | R'000 | % |
| Administration | 1,132,506 | 1,099,051 | 33,455 | 97.0% | 1,004,964 | 856,185 | 85.2% |
| Immovable Asset Management | 2,967,632 | 2,862,229 | 105,403 | 96.4% | 5,052,937 | 4,563,501 | 90.3% |
| Expanded Public Works Programme | 1,937,277 | 1,931,690 | 5,587 | 99.7% | 1,729,072 | 1,704,051 | 98.6% |
| Property and Construction Industry Policy Regulations | 36,682 | 32,758 | 3,924 | 89.3% | 37,436 | 26,858 | 71.7% |
| Auxiliary and Associated Services | 101,164 | 96,926 | 4,238 | 95.8 % | 66,839 | 53,330 | 79.8% |
| **Totals** | **6,175,261** | **6,022,654** | **152,607** | **97.5%** | **7,891,248** | **7,203,925** | **91.3%** |

Departmental spending for the period under review is R6.022 billion which represents 98% of the budget allocation. Under spending of R153 million relate to R9.1 million for compensation of employees, R47.6 million for goods and services, R59 million for buildings and other fixed structures and R38 million for machinery and equipment.

- **Programme 1: Administration**

  The underspending of R33.5 million in Programme 1 relates to the following:

  – Compensation of employees' underspending of R6.9 million resulted from funds reprioritised for the filling of posts, grading of positions and anticipated performance bonuses. These, however, did not materialise as critical positions could not be filled before the end of the financial year.

  – Goods and services underspending of R8.3 million is mainly due to office accommodations for municipal services and accommodation charges.

  – Machinery and equipment underspending of R18 million relates to funds prioritised for the procurement of computers. However, invoices were received late and were also defective and payment could therefore not be processed before the end of the financial year. This financial obligation has been disclosed as an accrual in the financial statements.

- **Programme 2: Immovable Asset Management**

  The underspending of R105.4 million in Programme 2 relates to the following:

  – Goods and services underspending of R27.2 million relates to funds reprioritised for Immovable Asset Register project under the Turnaround Intervention. These funds for the Immovable Asset Register have been requested as a roll over to the 2014/15 financial year. The roll over request is due to the project being committed towards the later part of the financial year.

  – Buildings and other fixed structures constitute an underspending of R58.8 million due to a delay in implementing infrastructure projects.

  – Underspending of R19.1 million for machinery and equipment is due to changes in the procurement processes which delayed ordering and delivery of furniture to the Department.

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

  The underspending of R5.6 million in Programme 3 is mainly due to the following:

  – Transfers and subsidies under-spent by R4.3 million, and relates to transfer payments to provinces for EPWP Integrated Incentive grant. Funds were withheld from provinces due to their non-compliance to the Division of Revenue Act.

  – Machinery and equipment underspent by R1 million, and is directly linked to tools of trade not acquired due to vacant positions not filled.

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

  Underspending of R3.9 million in Programme 4 is due to the following:

  – Compensation of employees underspending of R2.3 million is due to the delay in filling of vacant positions.

  – Goods and services underspending of R11.8 million includes R10.4 million budget transfers made to Agreement SA which is paid under transfers and subsidies. The expenditure for Agreement SA under transfers and subsidies is classified as irregular expenditure as the allocation under goods and services was utilised.

- **Programme 5: Auxiliary and Associated Services**

  The underspending of R4.2 million in Programme 5 relates to transfers and subsidies for funds allocated for Commonwealth War Graves and Sector Education and Training Authority. The underspending for the Commonwealth War Graves is due to lower than anticipated currency movements between the South African Rand and the United Kingdom Pound.

## 2.6 TRANSFER PAYMENTS TO PUBLIC ENTITIES

**TABLE 13: Transfers to Entities**

This table relates to Public Entities who received funding from the department.

| 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 |
|---|---|---|---|---|
| Agreement South Africa. | South African centre for the assessment and certification of innovative non - standardised construction products, systems, materials, components and processes, which are not fully covered by a South African Bureau of Standard or code of practice. Innovative construction systems are assessed in accordance with Agreement South Africa approved criteria which could include the following aspects of assessment.<br>1. Structural strength & stability<br>2. Water penetration and rising damp<br>3. Thermal & energy performance<br>4. Performance in fire<br>5. Quality Management System<br>6. National Building Regulations<br>7. Condensation<br>8. Acoustic performance<br>9. Accuracy in building<br>10. Durability | R10,398,000 | R10,398,000 | Successful certification of innovative construction technologies for which there are no national standards. Technical conduit to new and improved standardized building materials.<br>1. Improved performance of infrastructure due to advancements in products & building systems<br>2. Leads to improvement of existing products<br>3. Leads to doing more with less<br>4. Helps delivery of infrastructure at a faster & cheaper rate<br>5. Contribute to accelerated infrastructure development<br>6. Reassurance of fitness of purpose<br>7. Authoritative assessment of system performance<br>8. Can effectively address housing backlog |

| 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 |
|---|---|---|---|---|
| Council for the Built Environment | Transform the built environment professions and protect the public in South Africa from unsafe practices by built environment professionals and ensure good governance in the provision of professional services related to the built environment by practitioners in both the public and private sector | R37,959,000 | **R34,008,196** | The CBE finalised all the appeals received during the financial year. |
| | | | | The CBE developed a Governance framework and was adopted by all six Professional Councils. |
| | | | | Structured Candidacy Programme implemented in partnership with the Construction Education and Training Agency (CETA). |
| | | | | The CBE and the six Professional Councils co - signed the Health and Safety Accord. A Research report on academic programmes was also finalised. |
| | | | | 6 Policy frameworks on Identification of Work (IDoW) submitted for consideration by the Competition Commission. |
| Construction Industry Development Board | Various programmes as follows: | R 72,361,000 | | |

| 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 |
|---|---|---|---|---|
| | Programme 1: Construction Registers Services (CRS) - Implement, manage and improve national registration services covering the Register of Contractors (RoC), Register of Projects (RoP) and new Registers that may be implemented in terms of the cidb Act. | | R19,673,656 | 1. Legislated 21 working days turnaround time was achieved.<br>2. Fraud awareness within CRS staff was implemented<br>3. Administrations of queries were closed within the stipulated turnaround time of 48 hours.<br>4. Data quality errors were identified and rectified within a period of 10 working days for Grades 2 to 9 during this financial year<br>5. Regulations were amended subsequent to consultation with stakeholders at Provincial and National Contractor Forums, Gazetted on 2 July 2013 and became effective on 1 August 2013. |

| 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 |
|---|---|---|---|---|
| | Programme 2: Construction Industry Performance (CIP) - To determine, establish and promote appropriate measures aimed at improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process. | | R9,602,460 | 1. Construction Industry Indicators (CIIs) was published monitoring perceptions of clients, professionals and contractors on procurement and constructions<br>2. Quarterly Monitor was published covered supply and demand factors, including number of contractors per grade, ownership profiles per grade, contractor upgrades, public sector spend per grade, spend vs. budget for provincial and municipal government, etc<br>3. Compliance Monitors published, monitoring compliance of national and provincial departments and metropolitan councils with iTender / Register of Project requirements for the registration of tenders and project<br>4. Stakeholder Communication Sessions on CIIs, Quarterly Monitor and SME Survey were held in KZN on 12 July 2013 and WC 22 August 2013.<br>5. Guidelines for Construction Management Systems (SANS 13930 was published on cidb Web on 3 December 2013 with links to SABS website.<br>6. The following documents were submitted to Board: :<br>7. Doc CIP_4.1 Recommendation to Publish Best Practice Standards Contractor Competence.pdf.<br>8. Doc CIP_4.2 cidb Board Notice Competence Standard.<br>9. Doc CIP_6.1 cidb Best Practice Contractor Recognition Scheme Recognition Process Criteria. |

| 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 |
|---|---|---|---|---|
| | | | | 10. CIDB Requirements for Contractor Performance Reports for Grades 1 Submitted to DPW on 3 December 2013 for approval for Gazetting.<br>11. CIDB Requirements for H&S Management Plans were submitted to DPW on 11 December 2013 for approval for Gazetting.<br>12. Feasibility study for the application of CONQUAS in South Africa, with recommendations was completed 19 September 2013.<br>13. The PG Conference was hosted on 10 and 11 February 2014. |

| 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 |
|---|---|---|---|---|
| | Programme 3: Procurement and Delivery Management (PDM) - Develop, promote and monitor uniform application of cidb prescripts throughout all organs of state and industry stakeholders including procurement standards, construction procurement reform, improved infrastructure delivery management practices and the cidb Code of Conduct. | | R9,149,087 | 1. Fourth quarter report on support to the IDMT and IDIP was produced on 13 March 2014.<br>2. Report on the IDMT updates was developed on 31 March 2014 and communicated on the IDMS website for Infrastructure delivery officials.<br>3. Prescripts for dispute resolution and prompt payment were developed in February 2014.<br>4. CPO forums to build client capability was hosted in every quarter and 2 x industry focus group meetings were held in October and November 2013.<br>5. The Strategy for Client Performance Awards was developed and completed on 15 February 2014.<br>6. Training sessions on construction procurement were held in each quarter and completed by March 2014.<br>7. Law reports on court rulings were published on the cidb website for each quarter to share information on court rulings on construction contracts.<br>8. Practice Note # 31 was developed and completed on 10 February 2014.<br>9. Reports on investigations and prosecutions on cases of non - compliance, fraud and corruption were submitted to Risk Committee meeting in each quarter by end of Mar 2014. |

| 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 |
|---|---|---|---|---|
| | Programme 4: Provincial offices and Contractor Development (PCD) - To improve the effectiveness and extend the reach of Contractor Development support through outreach and effective and efficient support from provincial partnered cidb offices (Provincial cidb offices) and to stimulate the role of industry and stakeholders for meaningful empowerment and improved contractor sustainability. | | R27,764,032 | 1. All 9 provinces have held NCDP client awareness sessions.<br>2. All 9 provinces held their PCDF's<br>3. All provinces implemented their catalytic projects.<br>4. Business Management capacitation sessions were facilitated for at least 20 contractors per province by end March 2014.<br>5. SALGA municipality road shows were held |
| | Programme 5: CEO's office - Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector.<br>Marketing stakeholder consultations, communications and audit, risk and governance | | R12,804,108 | 1. National Stakeholder Forum (NSF) and 9 provincial stakeholder forums were successfully held.<br>2. The approved Internal Audit Plan was completed<br>3. Fraud awareness was done to all staff<br>4. Board and subcommittees meetings were all held as per the schedule.<br>5. All performance information reporting were timeously done. |

| 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 |
|---|---|---|---|---|
| | Programme 6: Corporate Services<br>Responsible for:<br>Financial Management<br>Supply Chain Management<br>Information Technology Management<br>Facilities Management | | R40,569,764 | 1. Interim audit was completed and achieved a clean interim audit report.<br>2. IT policies were developed, finalised and signed off<br>3. Backup Management was relooked and improved upon<br>4. Offsite backup restore was successfully tested<br>5. Developed Transfer, Relocation and Secondments policy<br>6. Developed Computer, network and internet use policy<br>7. Developed Minimum information security standards<br>8. Developed Request for IT service procedure policy<br>9. Developed Incident management policy<br>10. Developed Leave policy<br>11. Developed Cell phone policy<br>12. Developed Delegations to the SCM policy<br>13. Developed Staff Conditions of Service<br>14. Developed IT Strategic Plan Policy<br>15. Revised and amended SCM policy<br>16. Significantly reduced irregular expenditure from the prior year<br>17. Several finance policies reviewed<br>18. Significantly reduced entities vacancy rate spend<br>19. Reduced the backlog of Cidb's internal disciplinary hearings<br>20. Reviewed Organization delegation policy<br>21. Maintain the budget spend percentage variance at 3% of the budget<br>22. Complied with all Government submission's key dates of all required financial information to all stakeholder departments.<br>23. Increase BBBEE spend to 68.82% of Cidb's total |

| 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 |
|---|---|---|---|---|
| Independent Development Trust | Programme Management Agency | R 100,000,000 | R 100,000,000 | Managed programme portfolio to the value of R 6,5 billion |
| | Appointed as a Programme Implementation Agency to provide EPWP 2 Overall Coordination Support | R43,681,154 | R43,681,154 | 1. Data Management, capturing and verification support<br>2. Hosting and maintenance of Integrated Reporting System (IRS)<br>3. Social Facilitation to sectors and technical support<br>4. Support on the Incentive grant and Provide efficient reporting<br>5. 255 municipalities supported<br>6. Trained end users at public bodies and local municipalities<br>7. Development and review of Social Sector Provincial Business Plans |
| | Appointed to Programme Manage the implementation of EPWP NSS | R448,450,000 | R430,394,930 | Contracted 329 NPOs that created 50,054 work opportunities against a target of 48,000 work opportunities. |

## 2.7 CONDITIONAL GRANTS

### *2.7.1 Conditional grants and earmarked funds paid*

**March 2014.**

**Table 14: EPWP integrated grant paid to provinces during the period 1 April 2013 to 31 March 2014**

| Departments to the grant has been transferred | The grant has been transferred to eligible departments in nine provinces |
|---|---|
| Purpose of the grant | 1. 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:<br>2. Road maintenance and the maintenance of buildings<br>3. Low traffic volume roads and rural roads<br>4. Other economic and social infrastructure<br>5. Tourism and cultural industries<br>6. Sustainable land based livelihoods<br>7. Waste management |
| Expected outputs of the grant | 8. Increased number of people employed and receiving income through the EPWP<br>9. Increased average duration of the work opportunities created |
| Actual outputs Achieved | 10. 538.96 FTEs were created through environment and culture projects<br>11. 2,050.60 FTEs were created through infrastructure projects<br>12. Total FTEs created is 2,665.08 |
| Amount per Amended DoRA (R'000) | R355,914 |
| Amount Transferred (R'000) | R353,214 |
| Reasons as if amount as per DoRA not transferred | The amount of R2.7 million was not transferred to three departments as the department was forecasting under spending by provincial departments. There was no expenditure on transferred amount. |
| Amount Spent by the provincial departments (R'000) | R321,765 |
| Monitoring Mechanism by the transferring departments | The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system. |

1. Transfer payments were not all made as original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.

2. The department did not retain any portion of the grant for administration cost.

3. Payments were withheld for the following reasons:

   1. Non - submission of In Year Monitoring report.
   2. Lack of spending the transferred amount.
   3. Late submission of signed incentive agreements and projects list.

**Table 15: EPWP integrated grant paid to Municipalities during the period 1 April 2013 to 31 March 2014**

| Municipalities whom the grant has been transferred | The grant has been transferred to 274 public bodies (Local municipalities, District municipalities and Metros) |
|---|---|
| Purpose of the grant | 1. 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:<br>2. Road maintenance and the maintenance of buildings<br>3. Low traffic volume roads and rural roads<br>4. Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure)<br>5. Other economic and social infrastructure<br>6. Tourism and cultural industries<br>7. Waste management<br>8. Parks and beautification<br>9. Sustainable land - based livelihoods<br>10. Social services programme<br>11. Health service programme<br>12. Community safety programme |
| Expected outputs of the grant | 13. Increased number of people employed and receiving income through the EPWP<br>14. Increased average duration of the work opportunities created<br>15. Increased income per EPWP beneficiary |
| Actual outputs Achieved | Total FTE's created is 10,560.35 |
| Amount per Amended DoRA (R'000) | R611,274 |
| Amount Transferred (R'000) | R611,274 |
| Amount Spent by Municipalities(R'000) | R435,166 |
| Reasons for the funds unspent by Municipalities | This would appear as an under expenditure but it is not as there is a yearend timing difference between the national and local government spheres which is in March and June respectively |
| Monitoring Mechanism by the transferring departments | The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system. |

1. Transfer payments were not all made as original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.

2. The department did not retain any portion of the grant for administration cost.

3. Payments were withheld for the following reasons:

    1. Non - submission of monthly expenditure report.

    2. Lack of spending the transferred amount.

    3. Late submission of signed incentive agreements and projects list.

**Table 16: EPWP Social Sector Incentive grant paid to provinces during the period 1 April 2013 to 31 March 2014.**

| Departments to the grant has been transferred | The grant has been transferred to eligible departments in nine provinces |
|---|---|
| Purpose of the grant | 1. To incentivise provincial social sector departments identified in the 2012 Social Sector EPWP Log - frame to increase job creation by focusing on the strengthening and expansion of social service programmes that have employment potential |
| Expected outputs of the grant | 2. Increased number of people employed and receiving income through the EPWP<br>3. Increased duration of the work opportunities created<br>4. Increased number of households and beneficiaries to which services are provided<br>5. Increased income per EPWP beneficiary<br>6. Increased number of people with augmented wages<br>7. Increased number of people who received training |
| Actual outputs Achieved | 8. 144,749 FTEs created<br>9. 3,072 NPOs were supported administratively<br>10. 609,539 Households received social services<br>11. 1,521,410 People (ECD children, learners and patients) received social services |
| Amount per Amended DoRA (R'000) | R257,564 |
| Amount Transferred (R'000) | R255,953 |
| Reasons as if amount as per DoRA not transferred | R1.611 million was not transferred to KZN Community Safety and Liaison as the department was forecasting under spending by provincial department. |
| Amount Spent by the provincial departments (R'000) | R242,626 |
| Monitoring Mechanism by the transferring departments | The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system. |

1. Transfer payments were not all made as original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.

2. The department did not retain any portion of the grant for administration cost.

3. Payments were withheld for the following reasons

    1. Non-submission of in year monitoring report

    2. Lack spending the transferred amount.

    3. Late submission of signed incentive agreements and business plans

## 2.8 CAPITAL INVESTMENT

### *2.8.1 Capital investment, maintenance and asset management plan*

The Custodian Asset Management Plan 2015/16 has been compiled and will be submitted for approval by Accounting Officer and submitted to National Treasury for funding requirements. The Department acquired a multi tenanted building in East London with a lease cost saving of R11 million per annum. Investment in other capital projects such as Agrivaal is continuing and will be completed in the 2014/15 financial year.

Inner City Regeneration program is responsible to develop integrated accommodation solutions for National Governments Departments, ensuring alignment to spatial planning. To this effect, Tshwane has been prioratised in the 2013/14 financial year and an Inner City Master Plan and Precinct Plans have been produced to guide the location, development and rehabilitation of government buildings,

Capital Investment Projects that forms part of the Inner City regeneration Implementation Program for the 2013/14 financial year constitutes rehabilitation of existing buildings and site infrastructure development projects in Tshwane which are as follows:

#### 1. Pretoria: 38 Church Square Building: Restoration and Upgrading of existing building

A heritage building in restoration for use by National Treasury was scheduled to be completed by December 2013 at a cost of R39,6 million. However, slow performance of the appointed contractor, has resulted in contractual delays and contributed to the under-expenditure of the DPW capital on budget of R24 million. Interventions to improve the status quo have been identified as a priority for 2014/15, to fast track completion of project.

#### 2. Pretoria: Justice College: Upgrading and Refurbishment of existing building

A proposed upgrade for use as a training facility for Department of Justice. The project has progressed from planning phase to design and documentation phase, with highest and best use of the building and site due diligence mainly explored in the 2013/14 FY. Therefore, no allocation was received in the 2013/14 FY for construction.

#### 3. Pretoria: Agrivaal Building: Refurbishing and New Additions:

Government building identified for use by Department Public Service Administration. Although budgeted for in the Rehabilitation Program, project forms part of the Inner City Regeneration program for identified sites for development.

The construction of the project started in February 2012 at a contract value of R458.3 million. An amount of R171 million was allocated in the 13/14 FY and expenditure of R151,898,564 was realised.

The project is being fast tracked and the completion date for project is scheduled for December 2014. Site Developments Projects include:

1. Pretoria: Salvokop: Construction of New Head Office for Stats Sa: A Public Private Partnership Project of 59 000 square meters that has commenced. To support the construction process, the site was cleared and legalised in the 2013/14 FY and an amount of R13.7 million as budgeted for bulk contribution initiate development was spent accordingly.

2. Pretoria: Salvokop: Township Establishment: The process to facilitate the proclamation of Salvokop as township of Tshwane was initiated in 2013/14 and the completion of the Township Establishment is planned for 2015. An estimated amount of R65 million was allocated towards proclamation and bulk services contribution for Salvokop. The project is on progressing in terms of agreed time - lines, which will support further Infrastructure development at Salvokop.

**Infrastructure projects in process in 2014/15**

1. Pretoria: 38 Church Square Building: Planned for completion in 2014/15.

2. Pretoria: Justice College: Upgrading and Refurbishment of existing building: Completion planned for 2015/16.

3. Pretoria: Agrivaal Building: Upgrade and Construction of New building for Government: Completion planned for 2014/15.

4. HG De Witt: Demolish and Construction of New Office building for Government: Completion planned for 2015/16.

5. Pretoria: Salvokop: Township Establishment: Project entails consultation work. Project will be work in progress during 2014/15. Completion scheduled for early 2015/16.

6. Pretoria: Inner City Master Planning: Development Opportunities/Accommodation solution packages for 5 departments.

7. Pretoria: Salvokop: Infrastructure upgrading in collaboration with the City of Tshwane: Will remain work in progress during 2014/15. This project is one to be completed in phases depending on studies being undertaken and dependencies form the end of the City.

One (1) property located in the Western Cape measuring 128 hectares was approved to be released for human settlements development. Further, four (4) portion of land measuring 2,7197 hectares were approved for servitudes for socio economic development (water and electricity). However, it must be noted that transfer process takes time and these properties will only be archived on the Department's Immovable Asset Register once the disposal process has been finalised.

The Department also exchanged a dilapidated superfluous property in Gauteng with another functional property which is used to address service delivery accommodation.

Immovable Assets have been transferred to PMTE with effect from 1 April 2013 where it will be accounted for according to GRAP requirements. The Department conducted physical verification to validate and collect required information to ensure complete and GRAP compliant Immovable Asset Register. 95% of the land parcels and buildings (properties) have been physically verified during the period under review. Quality assurance on verified properties is currently underway. The Department has finalised the business case for Vesting of land under its custodianship, and has operationalised bulk vesting to fast track Vesting.

**Table 17: The current state of the department's capital assets**

| Department | Condition of State Owned Buildings (Number and Percentage) | | | | | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Very Good | | Good | | Fair | | Poor | | Very Poor | | | |
| | C5 | | C4 | | C3 | | C2 | | C1 | | | |
| Defense | 1 | 0% | 30 | 12% | 190 | 79% | 12 | 5% | 9 | 4% | 242 | 100% |
| Correctional Services | 1 | 1% | 11 | 6% | 153 | 81% | 20 | 11% | 5 | 3% | 190 | 100% |
| Justice | 3 | 0% | 103 | 14% | 580 | 79% | 35 | 5% | 9 | 1% | 730 | 100% |
| Other Clients Combined | 7 | 2% | 86 | 23% | 250 | 68% | 21 | 6% | 6 | 2% | 370 | 100% |
| SAPS | 43 | 3% | 145 | 10% | 1014 | 70% | 232 | 16% | 14 | 1% | 1,448 | 100% |
| Unutilised | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 121 | 100% | 121 | 100% |
| TOTALS | **55** | 2% | **375** | 12% | **2,187** | 71% | **320** | 10% | **164** | 5% | **3,101** | 100% |

1. The table above represents a number of buildings in the DPW portfolio for which high-level condition assessments were concluded in the year under review.

2. Justice portfolio excludes condition ratings for all residential accommodation as the audit is on-going.

3. SAPS portfolio includes condition ratings for devolved police stations.

4. The number of properties under Defence is derived from the User Asset Management Plan (UAMP) 2012 - 2015 and it includes residential units within complexes.

5. Unutilised buildings comprise of offices only and reported at complex level.

6. DCS portfolio excludes condition rating for residential units both within and outside complexes.

The Immovable Asset Register Project includes high level condition assessment of all identified state owned immovable assets which will assist in initiating maintenance projects. This will assist in addressing maintenance backlog. It must be noted that there is no dedicated budget allocation to conduct detailed technical condition assessment of properties which will inform maintenance plans for State-owned properties. However, 147 buildings have been prioritised for implementation as phase 1 subjected to availability of funds and obtaining necessary approvals.

**Table 18: Capital Budget**

| SUB PROGRAM NAME | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | BUDGET ALLOCATION | EXPENDITURE | BALANCE (UNSPENT) | BUDGET ALLOCATION | EXPENDITURE | BALANCE (UNSPENT) |
| DPW CAPITAL | **R676,206,000** | **R594,234,047** | **R81,971,953** | R999,254,000 | R612,816,185 | R386,437,815 |
| PMTE CAPITAL | **R2,081,067,248** | **R1,452,354,949** | **R628,712,299** | R2,305,515,726 | R1,665,908,719 | R639,607,007 |
| MAINTENANCE | **R1,931,140,715** | **R1,610,023,099** | **R321,117,616** | R2,436,601,313 | R2,348,983,052 | R87,618,261 |
| REHABILITATION | **R428,932,089** | **R360,904,896** | **R68,027,193** | | | |
| TOTAL | **R5,117,346,052** | **R4,017,516,991** | **R1,099,829,061** | **R5,741,371,039** | **R4,627,707,956** | **R1,113,663,083** |

*Saldanha - Sea Border*

# CHAPTER 3 ▪ GOVERNANCE

# 3. Governance

## 3.1 INTRODUCTION

The Department embarked on a pilot transparency project on infrastructure delivery that would ultimately entail the public disclosure of relevant project information into the public domain. This is intended to stimulate informed public reaction and when operational, would expose the capacity of the DPW as an agent of government's accommodation needs; expose the capacity of government clients to plan their infrastructure needs, and expose the capacity of contractors and landlords to deliver quality infrastructure with value for money to the state. The system of transparency will also serve as a deterrent to fraudulent and corrupt behavior all at stages of the infrastructure delivery process.

The Department has identified non-compliance as the primary driver of fraudulent and corrupt behavior. This is exacerbated by a perception of a lack of consequences for this form of conduct and violators of policies not being harshly dealt with; emergency procurement that result from poor planning, as well as vulnerabilities and control deficiencies within the SCM function. In this regard, irregularities in the award of contracts for day-to-day maintenance; the failure to follow due process in conclusion of leases, and the scoping of construction projects are significant fraud and corruption risk areas. The Department is accordingly conducting a comprehensive assessment of fraud risks in all areas of its operations, at head office, as well as at the regional offices. The assessment will inform a comprehensive Fraud Prevention Plan, prepared in compliance with the PFMA. The implementation of this plan during the 2014/15 FY will assist the Department in responding to and mitigating risk associated with fraud and corruption through detailed internal controls and related mitigation plans.

In recognising the relationship between effective governance arrangements and quality service delivery and in order to consolidate its initiatives in this regard, the Department has commenced with the process of establishing a Governance, Risk and Compliance Branch that will amalgamate the strategic management; risk management; service delivery improvement, and monitoring and evaluation functions. The branch will also include the management of governance arrangements in the department and oversight of sector entities, as well as the creation of a standalone anti-corruption unit. These initiatives reflect not only our resolve to ensure effective governance and integrity of the Department's operations, but equally to introduce innovative and sustainable service delivery improvement.

## 3.2 RISK MANAGEMENT

### *3.2.1 Risk Management Policy and Strategy*

The Risk Management processes within the Department of Public Works are guided by the Risk Management Policy and Risk Management Strategy which are intended to provide a systematic approach and also create an environment that allows for risk taking while ensuring that public interest and investment is protected. The risk appetite and tolerance levels have been set for the Department which is aimed at improving actual business decision-making and revolves around the Department's strategic objectives.

### *3.2.2 Risk Management Committee*

During the 2013/14 Financial Year, four Risk Management Committee meetings were successfully convened in order to monitor the effective implementation of the risk management plan; and communicate successes and challenges of the Department's risk management processes. The Committee is governed by a Risk Management Committee Charter which is reviewed annually and outlines the roles and responsibilities of the Committee.

### *3.2.3 Risk Assessments*

Risk assessments are conducted at least once annually and whenever there are changes in environment that necessitate the assessment.

The Departmental high level risk register was updated and Risk registers for all Head Office business units including 11 Regional Offices were also updated and signed off for the year under review. This process included the consideration of audit findings, challenges faced when implementing the action plans as per the previous risk registers, changes in organizational environment.

Progress on implementation of action plans/strategies was also monitored for all risks identified to ensure that the risks are managed to be within acceptable levels.

### *3.2.4 Audit and Risk Management Committee (ARMC)*

Reports on progress made on the implementation of risk management processes are made to the ARMC for their independent assessment and inputs. One of the members of the ARMC has also been part of the internal Risk Management Committee meetings to provide advice and impart risk management expertise to the Risk management team within the Department.

### *3.2.5 Improvements in Risk Management Processes*

#### 1. Appointment of Risk Champions

20 Risk Champions have been appointed for 11 Regional Offices and 8 Branches at Head Office to ensure that no risks go unmanaged so that service delivery and accomplishment of objectives are improved.

#### 2. Risk Management Capacity Building (training)

In order to increase maturity level in the Department, Risk Management workshops were conducted for Risk Management Committee (RMC), EXCO and Chief Directors and other staff members. The training is intended to cover all SMS members and management members as they have a critical role to play in management of risks.

To further improve the management of risks, the Department will continue with Risk Management Workshops for executive members of management and other senior managers. Risk Champions will also be trained continuously to ensure that risks are managed throughout business operations and to ensure continuous reporting and escalation of emerging risks.

## 3.3 FRAUD AND CORRUPTION

The Department's Fraud Prevention Plan has been developed as a result of the expressed commitment of the Department to fight fraud and corruption. It is aligned to the Public Service Anti-Corruption Strategy, which is championed by the Department of Public Service and Administration.

It is based on four (4) key components, namely, Prevention (Training and Awareness, Risk Management, Policies and Procedures etc.); Detection (Whistle-blowing and Reporting Mechanisms, Internal Audit etc.) and Investigation and Resolution. The Plan is being implemented through the roll-out of Anti-Fraud and Corruption campaigns/workshops which are being conducted across the Department (Head Office and Regional Offices). Employees and other stakeholders are encouraged to report allegations of fraud and corruption through internal and external National Anti-Corruption Hotline

(NACH) avenues. Investigations are conducted in respect of all reported allegations and necessary corrective measures are taken against identified perpetrators.

### *3.3.1 Mechanism in place to report fraud and corruption e.g. whistle-blowing the need for officials to make confidential disclosure about suspected fraud and corruption*

The Department of Public Works is committed to the highest possible standards of openness, probity and accountability. In line with this commitment we expect employees and other relevant stakeholders, who have knowledge of serious allegations of fraud, corruption and maladministration about any aspect of the Department's work to come forward and voice those allegations. In addition to the internal reporting mechanism available to employees and other stakeholders to report incidents of fraud and corruption, the Department further promotes the use of the NACH (0800 701 701) whereby they are able to report anonymously incidents of fraud and corruption.

### *3.3.2 How these cases are reported and what action is taken*

The Department of Public Works has an internal dedicated unit responsible for conducting investigations on reported allegations of fraud and corruption. Once a matter has been reported to the Unit, it is recorded in the Register of Allegations and allocated a reference number for future tracking purposes. The allegations reported are screened and evaluated; depending on the outcome, they are then investigated internally or external expertise acquired where necessary; others referred to National Treasury, SIU, SAPS or any other appropriate law enforcement agency. Cases which are found to have no substance to support the allegations are closed.

Subject to the outcome of the investigation conducted, where any evidence is found to substantiate wrongful/unlawful acts by an employee or any other person in relation to the Department necessary corrective action is pursued to the full extent of the law, including but not limited to:

1. disciplinary action within a reasonable period of time after the incident in the case of
2. employees;
3. Instituting civil action to recover losses;
4. Initiating criminal prosecution by reporting the matter to the SAPS or any other
5. relevant law enforcement agency.

## 3.4 MINIMISING CONFLICT

In an effort to root out fraud and corruption, prevent and detect collusive practices as well as conflict of interest in the SCM system, a number of controls have been set in place to ensure compliance to all relevant prescripts and policies. These controls include the following:

1. All SCM practitioners and officials 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 specifically enjoins the relevant officials to declare in writing to the Head of Supply Chain Management Unit the extent of any business, commercial or financial interest or any activity undertaken for financial, material and/or personal gain.

2. In respect of every tender specification or evaluation process that an official or SCM practitioner participates in, there is a mandatory requirement for the member to disclose their respective financial interest by signing a Declaration of Interest and Confidentiality form (PA 18) every time there is either a specification or evaluation meeting in relation to that particular tender.

Further to this and as part of disclosures in the quarterly financial statements, all SCM practitioners are required to complete a Related Party Declaration in which the official is required to disclose in detail the participation of spouses and close family members in any partnerships, close corporations and/or companies.

The Department also enforces the mandatory financial disclosure requirement of all SMS members as regulated by the Public Service Act and its Public Service Regulations. Any official failing to adhere to this requirement by not declaring his/her interest is subjected to the relevant disciplinary code. Where an official declares an interest, that official is required to recuse him/herself from the relevant process.

All bidders that participate and respond to bids are required to complete a Declaration of Interest and Bidder's Past SCM Practices form (PA11) that stipulates that the bidder or his/her authorised representative declare his/her position in relation to the evaluating/adjudicating authority and/or take an oath declaring his/her interest where:

1. The bidder is employed by the state and/or,

2. The legal person on whose behalf the bidding document is signed has a relationship with a person(s) who is/are involved in the evaluation and or adjudication of the bid(s), or where it is known that such a relationship exists between the person or persons for or on whose behalf the declarant acts and persons who are involved with the evaluation and or adjudication of the bid.

When dealing with professional service providers who conduct risk assessments on potential contractors, the Department has introduced the use of a consultant Declaration of Interest form to minimise any potential conflict of interest.

In supporting good governance and compliance the Department has submitted a name list of all officials in supply chain management to the State Security Agency who is embarking on a vetting Project for officials involved in supply chain processes. The vetting process will enhance and contribute to further minimising conflict of interest.

## 3.5 CODE OF CONDUCT

In order to give practical effect to the relevant Constitutional provisions (S195 and S197) relating to the Public Service, all employees are expected to comply with the Code of Conduct. The Public Service Commission is the custodian of the Public Service Code of Conduct which provides guideline to all employees to maintain a high standard of professional ethics, objective and fair services, accountability, transparency and access to accurate information. The Department of Public Works strictly adheres to the basic values and principles reflected in the Code of Conduct. The Department has put mechanisms in place to ensure strict compliance with the Code as the provided for below:

### *3.5.1. Conflict of Interest*

The Department has put into place mechanism to manage possible conflict of interest in the relationship between employees and members of the public, in the performance of their duties and their personal and private interest. Each manager is expected each quarter to submit a form detailing the interests that may conflict with the performance of their duty or enrich any person that they may be related to.

### *3.5.2. Receipt of Gifts and Gratuities*

Each employee is required to declare any gift or gratuity to the value of R350 or more. This is provided for with the submission of Disclosure Forms at the beginning of each Financial Year. It is a regarded as misconduct for any employee to fail to declare and disclose receipt of gifts and/or gratuity that is to the value of R350 or more.

### *3.5.3. Confidential Information*

Each employee is made to sign a declaration of secrecy to avoid dissemination of confidential information. All the members of interview panels are made to sign secrecy forms to protect the integrity of the selection and recruitment process and undue dissemination of short listing and interview results.

### *3.5.4. Vetting and Security Clearance*

The Department conducts constant vetting and security clearance for personnel in the Ministry, office of the Director-General, selected staff in Finance and Supply Chain Management. Vetting and different categories of security clearance is also conducted for all senior managers. Companies that are appointed to render services for department are also strictly vetted.

### *3.5.5. Control of employees performing remunerative work outside of his/her official work*

All employees who seeks or are performing remunerative work outside of their official duty must get the necessary permission to determine if there is any conflict of interest, the employee's private work is not interfering with his/her official duties, etc. This is a process managed closely as the department is confronted with few cases of fraud and corruption.

### *3.5.6. Measures to deal with breach of the Code Of Conduct*

Any breach of the Code of Conduct is regarded as misconduct. Such acts of misconduct are investigated and processed by the Department in accordance with the Public Service Disciplinary Code. Various sanctions are meted out depending on the merits and mitigating or aggravating factors which include but not limited to final written warning, suspension which include emoluments, dismissals, etc.

## 3.6 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Since the Department is in the business of property and construction, health and safety issues become a priority. This is not only applicable to the areas mentioned but also the safety of employees is of paramount importance. Therefore, it is critical for the Department to view health and safety issues as a high priority and set high standards around health issues. The operations of the Department are guided by Section 8 of the Occupational Health and Safety Act 85 of 1993 (OHSA) which state that every employer "shall provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of his employees." This refers in particular to:

- Taking such steps to eliminate or mitigate any potential hazard
- Ensure adherence to the requirements of the OHSA
- Taking all necessary measures in the interest of health and safety

The Department conducted inspections in various workplaces, including projects which are under construction to ensure compliance of OHSA. The Department conducts the main inspections as in an effort to ensure compliance, follow ups are made on the initial inspections. Regular Training was provided to departmental officials alerting them to the hazards that exist in the workplace.

## 3.7 PORTFOLIO COMMITTEES

The department held not less than eighteen (18) scheduled meetings with the portfolio committee during the period under review to engage on range of issues, namely:

- 2013/14 Quarterly Performance Reviews as per tabled Annual Performance Plan (1st, 2nd and 3rd Quarters);
- Briefing on Expanded Public Works Program Phase 3;
- Progress report on Immovable Asset Register;
- Status Reports on DPW Legislative Program, Construction and Property Charters;
- Performance of Property Management Trading Entity (PMTE) and long - term plans to address its challenges;
- 2012/13 Departmental Annual Report;
- Collusion in Construction Industry;
- Progress on fraud and corruption cases in the department;
- 2012/13 Annual Reports of DPW entities;
- Report on First quarter expenditures for the 2013/14 FY;
- Briefing on School Building Program;
- Progress on addressing non - payments by client department and billing system;
- Briefing on accessibility program, artisans and engineering recall;
- Progress report on EPWP and incentive grants;
- DPW and Entities Annual Performance Plans for 2013 and
- Briefing on Expropriation Bill.

### *3.7.1 Select Committee on Public Services*

The department held not less than five (5) scheduled meetings with the select committee during the period under review to engage on range of issues, namely:

- Oversight role over IDT in Social Infrastructure Delivery;
- Efforts to improve quality of construction in the Housing Sector;
- Cooperation between departments and progress on the audit of land property that belongs to government;

- Briefing on EPWP Phase 2 progress and
- 2013 Departmental Strategic and Annual Performance Plans.

### *3.7.2 Standing Committee on Public Accounts (SCOPA)*

The SCOPA drew up with two sets of resolutions in 2012 and in 2013. The DPW responded to both sets of resolutions. The first report to SCOPA was released on 7 December 2012 in response to the 9th Report of the SCOPA dated 23 May 2012. The DPW responded to issues pertaining the Immovable Asset Register; irregular expenditure; fruitless and wasteful expenditure; lease commitments; contingent liabilities; Public - Private Partnerships; as well as all issues relating to the PMTE. The sum of the DPW response was that it was attending to all of the issues, policies were being put into place, internal controls were being addressed and generally the Department was addressing the matters raised by the AGSA.

The DPW report to SCOPA of 19 April 2013 went further to address the issues raised by SCOPA during the meeting of 20 March 2013. The following were the issues to be addressed by DPW:

- Communication on Factual Findings by the AGSA, with respect how the Director - General, CFO, DDG's and Regional Managers responded to matters in their respective areas of responsibility;
- PMTE structure and related policies;
- Analysis of Irregular Expenditure and plan to address it;
- Outstanding policies and report on completed policies;
- Details on consultants used by DPW and outsourced IT services, including IT tools procured by the Department;
- Compensation of employees and signing off of payroll certificates; as well as
- The compilation of report on the list of misconduct cases going back to 2009 investigated by the DPW.

The report by DPW reinforced the assertion that Departmental officials were addressing the issues identified by the SCOPA, to the extent that Senior Managers were to complete their performance agreements by end of April 2013. The report also addressed measures undertaken to deal with reported cases of misconduct in the Department. The list of investigated cases was provided to the SCOPA, as well as the list of completed and draft policies and details pertaining to the PMTE, its proposed structure and policy matters.

The matters outlined above are still being addressed by the Department as part of the process leading toward a Clean Audit.

### *3.7.3 Portfolio Committee on Correctional Services*

The department engaged with this committee on matters relating to challenges experienced on the security fencing project which was implemented by IDT for the Department of Correctional Services in some Correctional Centers.

### *3.7.4 Standing Committee on Appropriations (SCOA)*

The department engaged with this committee for briefing session on 2013 Appropriation Bill as it pertains to budget Vote 7.

### *3.7.5 Tabling of Parliamentary documents*

The department managed to process and tables before Parliament its 2013/14 Annual Performance Plan and 2012/13 Annual Reports including those of the sector entities on scheduled times in terms of PFMA requirements.

Furthermore, the department managed to process and table 113 written and oral responses before Parliament on 113 written and oral questions which were posed by members of both National Assembly and NCOP respectively.

However, there was no legislation that was tabled to Parliament during the period under review.

## 3.8 INTERNAL CONTROL UNIT

Management has identified internal control environment, which in the recent past was found to be lax, as a catalyst for improving audit opinion and service delivery. The deficiency in the internal control environment in both the Main Account and the PMTE provided fertile ground for the rampant irregular and fruitless and wasteful expenditure to reach the epic proportions that it has. This has largely contributed to both Main Account and PMTE receiving qualified and disclaimer audit opinion respectively from the Auditor-General SA (AGSA).

In the current financial year, PMTE managed to complete all prior years' batches from 2009/10 to 2011/12 in order to detect any possible irregular expenditure, after successful completion of the Main Account in 2012/13. Inspectorate and Compliance unit, which is in the process of being reconfigured to Internal Control unit, was the main architect for this process. Current Inspectorate and Compliance Unit checks all payments processed to detect irregular expenditure and report to management on delinquent units. Branch EXCO has oversight role in respect of irregular and fruitless expenditure.

The hugely improved audit coordination between AGSA and Main Account/PMTE has seen a drastic reduction in the number audit findings and a reduction in the management report which serves as an indicator of the trajectory that the Department is taking. The reduction in the number of instances of irregular and fruitless and wasteful expenditure for the current financial year is indicative of stringent internal control implemented.

## 3.9 INTERNAL AUDIT AND AUDIT COMMITTEE

### 3.9.1. REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2014

We are pleased to present our report for the financial year ended 31 March 2014.

### 3.9.2. Audit Committee Members and Attendance

The Department of Public Works (the Department) inclusive of the trading entity (the Property Management Trading Entity, hereinafter referred to as the PMTE) had a fully functional Audit Committee during the year under review. The Committee compromises of five (5) Members, one of whom (Mr W Van Heerden) was appointed in the course of the year. All the Members are external to the Department.

**Table 19: The meetings were attended as follows:**

| No of members | Name of member | Number of meetings attended |
|---|---|---|
| 1. | Z Luswazi - Chairperson | 8 |
| 2. | Ms N Singh | 7 |
| 3. | C Bunting | 7 |
| 4. | M Ramurunzi | 7 |
| 5. | Mr van Heerden | 2 |

### 3.9.3 Audit Committee Responsibility

The Audit Committee has complied with Section 38(1) (a) of the Public Finance Management Act, Act 1 of 1999 (the PFMA) 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 Committee further reports that it has formally adopted its Terms of Reference and has duly complied with them.

### 3.9.4. Effectiveness of Internal Control

**Efficiency and effectiveness of the system of internal control**

The systems of internal control at the Department and at the Property Management Trading Entity (PMTE) (collectively referred to as the institution) is not considered to be effective. Amongst other things this resulted in the Auditor General adopting a fully substantive audit approach in its auditing of the institution. Equally the Internal Audit reports presented during the year echoed the same sentiments.

Management is currently implementing the following strategies: The Implementation of the Financial and Reporting System; General recruitment of personnel in critical areas and the general overall improvement of the overall system of Internal Control. Furthermore an Audit Action Plan addressing all the core findings of the Auditor General will be presented to the Committee imminently and the Committee will be monitoring the implementation of such suggested corrective measures.

The Committee is concerned about the Overall Department's inadequate Consequences Management and has urged Management to give this area prioritised focus to virtually guarantee a timely completion of all investigative processes within the prescribed turnaround times; duly taking appropriate and firm action against perpetrators.

### 3.9.5. Risk Management

The Risk Management Function is in place and operational and regularly presents its reports to the Committee. The Department also has a Risk Management Committee in place in which a Member of the Audit Committee serves to provide guidance and advice. However, the Function still needs improvement to ensure that risk management is embedded into the day-to-day activities of the Department and PMTE. With the newly created Governance, Risk and Compliance Branch, the Committee believes that more attention will be provided to this Function.

### 3.9.6. Annual Financial Statements

The Department and the PMTE have made significant strides in enhancing the quality of the financial statements in relation to prior years. In the year under review; an unqualified audit opinion (qualified opinion in the previous year) for the Department was achieved while the PMTE obtained a qualified audit opinion.

### 3.9.7. Management Report of the Auditor General

There has been robust interaction between the Auditor General and Management during the audit process. The Management Report and the Audit Report are reflective of factual findings that Management is in agreement with. Comprehensive Action Plans to address the Auditor General's findings are being developed by Management; the implementation of which will be monitored by the Committee.

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

This remains an area of improvement. While half year financial statements were presented in respect of both the Department and the PMTE (collectively referred to as the institution), presently the institution is not in a position to produce monthly or quarterly financial statements. This is a function of both the underlying financial management system as well as the issue of adequate personnel capacity at the institution. Under item 9 below both points are revisited.

The Committee was not satisfied with the output of the organisational Performance Management System. This was considered to be inadequate and specific recommendations on its improvement were made. While the Department has undertaken to implement the necessary remedial action, it is the view of the Committee that visible improvements can realistically be anticipated in the medium to the long - term planning time horizon. Specific recommendations have been made in this regard and Management is in progress with implementation.

The Committee reports that it is yet to interact with/review the Performance Management System as it relates to individual Senior Managers at the Department/MPTE.

### 3.9.9. Evaluation of financial statements and the performance management system

As mentioned in 3.9.8, in the year under review the Department made significant improvements towards the objective of compiling credible financial statements. As a result, the Department received an unqualified audit report this year while the PMTE received a qualified report improving from years of historical disclaimers in the year under review.

The qualifying areas have been noted by the Committee and as mentioned Management is developing specific and targeted Action Items to address these qualifying areas; matters of emphasis and any other reported issues. Amongst other action items management is appointing permanent Departmental human resources as one of the solutions to the challenges ahead.

On the emphasis of matters the Auditor General reported on the inadequacy of the Performance Management Information wherein in particular the Expanded Public Works Programme (EPWP) was identified as having inadequate portfolio of evidence to substantiate the reported level of performance. In the ensuing financial year, the adequacy of the EPWP will be prioritised by this Committee and through the Internal Audit Unit the Committee will conduct a close review and monitoring on the adequacy or otherwise of the reported Performance Information in conjunction with the matching portfolio of evidence.

The issues of an inadequate internal control environment, inadequate accounting systems and issues of personnel were also highlighted by the Auditor General as areas of improvement.

### 3.9.10. Internal Audit

Internal Audit Unit has realised notable improvements in relation to prior year. While this is so, the Committee has nonetheless urged the Unit to continuously improve its internal processes to result in the ongoing overall improvement of the Unit's all round effectiveness and efficiency as an integral part of a value-add service to the business of the Department.

The Department has made commitment and financial provision to capacitate the Internal Audit Function entailing a prioritised filling of all vacant posts and the procurement of external resources to augment the existing internal capacity in terms of a co - sourcing arrangement as and when necessary.

### 3.9.11. Auditor-General South Africa

The Committee engaged with the Auditor General in meetings where robust discussions took place and areas of concern addressed. The Committee submits, therefore that there are no unresolved issues with respect to the audit that have been brought to its attention in the year under review.

### 3.9.12. The Departmental Strategic Plan / (the Annual Performance Plan)

The Committee is of the view that Management driven quality control processes in place for the development of and the compilation of the Annual Performance Plan (APP) are not adequate; this is notwithstanding the fact that all normal internal governance approval processes were duly followed in the Department in the course of compiling the current year APP. The end result was that the final product (the Annual Performance Plan) was not entirely reflective of the strategic vision of the department; wherein amongst other things the Key Performance Indicators (KPIs) were not adequate thus needing substantial improvements and in certain instances complete re - conceptualisation of the said KPIs. Consequently, corrective action has since been taken by the Director General and the Honourable Minister and the Committee's expectation is that the Annual Performance Plan for the 2015/16 financial year will improve substantially.

### 3.9.13. The Turnaround Strategy

Management presented regular feedback to the Committee on progress made on The Turnaround Strategy. Key functional areas of the Turnaround Strategy amongst other things included Operation Clean Audit; the review of Leases and Immovable Asset Register.

Notwithstanding the much improved results (audit outcomes) as outlined above, the Committee nonetheless notes that the objective of achieving a clean audit in the year under review was not achieved. Subsequent to year end, Management undertook to compile a full report on lessons learnt and the relevant corrective action to be taken to remedy the situation for tabling at subsequent Audit Committee meetings.

The single biggest challenge facing the Department is sustaining the results of the Turnaround Strategy going forward, this given the fact that the Turnaround Intervention was largely consultants' based. The second challenge is the issue of the inadequate financial and billing system resulting in internal and accounting control shortfalls and the challenge of incomplete financial and operational information. To this end the Department has acquired a financial and reporting system; currently being implemented nation-wide.

Secondly, the Department has secured permanent recruitments from the Turnaround Team Financial Management resources. Furthermore the department remains on a recruitment drive to source appropriate financial management skills at regional level.

Notwithstanding the fact that the 'clean audit objective' has not been realised in its original intended state; the Committee's overall assessment is that the Turnaround Strategy has nonetheless brought about visible positive change and that the Department is doing all possible to sustain the momentum of this visible positive change going forward.

### 3.9.14. Overall observation

In conclusion, the Committee reports that it is generally satisfied with the level of progress made by the Department and the PMTE. However the following two issues are being reiterated given their strategic importance:

1. The issue of improving the Performance Management System both at organisational level and at Portfolio Head Level; and

2. The issue of taking firm corrective or disciplinary action (as appropriate) on any and all alleged misconducts is also being reiterated. Amongst other areas of high risk in this regard that should receive specific attention from Management is the Supply Chain Management function; this given the fact that it is the main contributor to the institution's Irregular Expenditure.

As mentioned above, on the whole the Committee is satisfied with the level of progress on the extent of financial reporting made by the Department and the PMTE in the year under review.

**Z LUSWAZI CA(SA)**

**CHAIRPERSON**

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**31 MARCH 2014**

# CHAPTER 4 ▪ HUMAN RESOURCE INFORMATION

## 4.1. PERSONNEL RELATED EXPENDITURE

The following tables summarises the final audited personnel related expenditure by program 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 4.1.1 Personnel expenditure by program*

| Programme | Total Voted Expenditure (R'000) | Compensation of Employees Expenditure (R'000) | Training Expenditure (R'000) | Compensation of Employees as % of Total Expenditure | Average Compensation of Employees Cost per Employee (R'000) |
|---|---|---|---|---|---|
| Administration | 1,097,227 | 235,759 | 3,874 | 21 | 239 |
| Immovable Asset Management | 2,867,700 | 1,122,121 | 2,900 | 39 | 249 |
| Expanded Public Works Programme | 1,925,793 | 108,309 | 354 | 6 | 518 |
| Property & Construction Industry Policy | 32,758 | 8,556 | 0 | 26 | 570 |
| Auxiliary & Associates Services | 96,926 | 0 | 0 | 0 | 0 |
| **Total** | **6,020,405** | **1,474,747** | **7,129** | **24** | **258** |

*Table 4.1.2 Personnel costs by salary band*

| Salary Bands | Compensation of Employees Cost (R'000) | % of Total Personnel Cost for Department | Average Compensation Cost per Employee (R'000) | Number of Employees |
|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 133,876 | 9 | 117 | 1,145 |
| Skilled (Levels 3-5) | 190,041 | 13 | 147 | 1,290 |
| Highly skilled production (Levels 6-8) | 346,729 | 24 | 265 | 1,309 |
| Highly skilled supervision (Levels 9-12) | 533,672 | 36 | 523 | 1,021 |
| Senior management (Levels 13-16) | 152,622 | 10 | 985 | 155 |
| Contract (Levels 1-2) | 21,500 | 2 | 39 | 548 |
| Contract (Levels 3-5) | 4,366 | 0 | 198 | 22 |
| Contract (Levels 6-8) | 34,479 | 2 | 274 | 126 |
| Contract (Levels 9-12) | 29,272 | 2 | 457 | 64 |
| Contract (Levels 13-16) | 20,695 | 1 | 690 | 30 |
| Periodical Remuneration | 5,230 | 0 | 4 | 1,165 |
| Abnormal Appointment | 2,266 | 0 | 9 | 258 |
| **TOTAL** | **1,474,747** | **100** | **3,708** | **7,133** |

*Table 4.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by program*

| 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) |
|---|---|---|---|---|---|---|---|---|---|
| Programme 1 Administration | 184,183 | 78 | 2,971 | 1 | 8,714 | 4 | 7,707 | 3 | 235,759 |
| Programme 2 Immovable Asset Management | 828,198 | 74 | 10,393 | 1 | 45,632 | 4 | 59,200 | 5 | 1,122,121 |
| Programme 3 Expanded Public Works Programme | 85,409 | 79 | 0 | 0 | 3,523 | 3 | 3,161 | 3 | 108,309 |
| Programme 4 Property & Construction Industry Policy | 6,852 | 80 | 0 | 0 | 191 | 2 | 236 | 3 | 8,556 |
| **TOTAL** | **1,104,642** | **75** | **13,364** | **1** | **58,060** | **4** | **70,304** | **5** | **1,474,747** |

*Table 4.1.4 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) | 85,738 | 64 | 820 | 1 | 11,354 | 9 | 15,540 | 12 | 133,876 |
| Skilled (Levels 3-5) | 123,436 | 65 | 5,505 | 3 | 13,336 | 7 | 15,863 | 8 | 190,041 |
| Highly skilled production (Levels 6-8) | 249,336 | 72 | 4,726 | 1 | 12,986 | 4 | 20,355 | 6 | 346,729 |
| Highly skilled supervision (Levels 9-12) | 412,823 | 77 | 2,124 | 0 | 12,383 | 2 | 15,629 | 3 | 533,672 |
| Senior management (Levels 13-16) | 122,601 | 80 | 5 | 0 | 6,749 | 4 | 2,680 | 2 | 152,622 |
| Contract (Levels 1-2) | 21,474 | 99 | 5 | 0 | 0 | 0 | 0 | 0 | 21,500 |
| Contract (Levels 3-5) | 4,291 | 98 | 36 | 1 | 0 | 0 | 0 | 0 | 4,366 |
| Contract (Levels 6-8) | 34,216 | 99 | 123 | 0 | 9 | 0 | 28 | 0 | 34,479 |
| Contract (Levels 9-12) | 27,971 | 96 | 20 | 0 | 162 | 1 | 94 | 0 | 29,272 |
| Contract (Levels 13-16) | 17,607 | 85 | 0 | 0 | 1,081 | 5 | 114 | 1 | 20,695 |
| Periodical Remuneration | 2,904 | 56 | 0 | 0 | 0 | 0 | 0 | 0 | 5,230 |
| Abnormal Appointment | 2,245 | 99 | 0 | 0 | 0 | 0 | 0 | 0 | 2,266 |
| **TOTAL** | **1,104,642** | **75** | **13,364** | **1** | **58,060** | **4** | **70,303** | **5** | **1,474,747** |

## 4.2. 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:

- program
- salary band
- critical occupations

*Table 4.2.1 Employment and vacancies by program*

| Program | Number of Posts | Number of Posts Filled | Vacancy Rate | Number of Posts Filled Additional to the Establishment |
|---|---|---|---|---|
| Program 1 DPW administration | 1,130 | 985 | 12.8 | 445 |
| Program 2 DPW immovable asset management | 5,623 | 4,501 | 20.0 | 198 |
| Program 3 DPW Expanded Public Works Program | 265 | 209 | 21.1 | 1 |
| Program 4 DPW property & construction industry policy regulation | 25 | 15 | 40.0 | 2 |
| **TOTAL** | **7,043** | **5,710** | **18.9** | **646** |

*Table 4.2.2 Employment and vacancies by salary band*

| Salary Band | Number of Posts | Number of Posts Filled | Vacancy Rate | Number of Posts Filled Additional to the Establishment |
|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 1,537 | 1,145 | 25.5 | 2 |
| Skilled (Levels 3-5) | 1,490 | 1,290 | 13.4 | 0 |
| Highly skilled production (Levels 6-8) | 1,674 | 1,309 | 21.8 | 1 |
| Highly skilled supervision (Levels 9-12) | 1,355 | 1,021 | 24.6 | 5 |
| Senior management (Levels 13-16) | 197 | 155 | 21.3 | 1 |
| Contract (Levels 1-2) | 548 | 548 | 0 | 468 |
| Contract (Levels 3-5) | 22 | 22 | 0 | 15 |
| Contract (Levels 6-8) | 126 | 126 | 0 | 91 |
| Contract (Levels 9-12) | 64 | 64 | 0 | 47 |
| Contract (Levels 13-16) | 30 | 30 | 0 | 16 |
| **TOTAL** | **7,043** | **5,710** | **18.9** | **646** |

*Table 4.2.3 Employment and vacancies by critical occupations*

| Critical Occupations | Number of Posts | Number of Posts Filled | Vacancy Rate | Number of Posts Filled Additional to the Establishment |
|---|---|---|---|---|
| Architects town and traffic planners | 53 | 45 | 15.1 | 14 |
| Chemical and physical science technicians | 13 | 10 | 23.1 | 0 |
| Civil engineering technicians | 31 | 11 | 64.5 | 1 |
| Electrical and electronics engineering technicians | 12 | 4 | 66.7 | 0 |
| Engineers and related professionals | 271 | 160 | 41 | 24 |
| Mechanical engineering technicians | 15 | 2 | 86.7 | 0 |
| Quantity surveyors & related prof | 37 | 25 | 32.4 | 2 |
| **TOTAL** | **532** | **345** | **35.2** | **43** |

## 4.3. 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 4.3.1 The number of posts upgraded or downgraded*

| Salary Band | Number of Posts | Number of Jobs 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) | 1,419 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Levels 1-2) | 266 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Levels 3-5) | 42 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Levels 6-8) | 146 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Levels 9-12) | 59 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Band A) | 9 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Band B) | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Band C) | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Band D) | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 1,515 | 1 | 0.1 | 0 | 0 | 0 | 0 |

| Salary Band | Number of Posts | Number of Jobs Evaluated | % of Posts Evaluated | Number of Posts Upgraded | % of Upgraded Posts Evaluated | Number of Posts Downgraded | % of Downgraded Posts Evaluated |
|---|---|---|---|---|---|---|---|
| Highly skilled production (Levels 6-8) | 1,667 | 5 | 0.3 | 5 | 100 | 0 | 0 |
| Highly skilled supervision (Levels 9-12) | 1,384 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management Service Band A | 132 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management Service Band B | 45 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management Service Band C | 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management Service Band D | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **6,705** | **6** | **0.1** | **5** | **83.3** | **0** | **0** |

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 4.3.2 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 |
| Total | 0 | 0 | 0 | 0 | 0 |
| 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 4.3.3 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 |
| Total | 0 | 0 | 0 | 0 | 0 |
| Percentage of Total Employment | 0 | 0 | 0 | 0 | 0 |

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

*Table 4.3.4 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 |
| **Total** | **0** | **0** | **0** | **0** | **0** |
| Employees with a Disability | 0 | 0 | 0 | 0 | 0 |

## 4.4. 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 4.4.1 Annual turnover rates by salary band*

| Salary Band | Employment at Beginning of Period (April 2013) | Appointments | Terminations | Turnover Rate % |
|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 1,283 | 477 | 164 | 12.8 |
| Skilled (Levels 3-5) | 1,332 | 21 | 105 | 7.9 |
| Highly skilled production (Levels 6-8) | 1,429 | 28 | 66 | 4.6 |
| Highly skilled supervision (Levels 9-12) | 1,024 | 22 | 49 | 4.8 |
| Senior Management Service Band A | 199 | 10 | 9 | 4.5 |
| Senior Management Service Band B | 43 | 5 | 4 | 9.3 |
| Senior Management Service Band C | 9 | 2 | 2 | 22.2 |
| Senior Management Service Band D | 3 | 0 | 0 | 0 |
| **Total** | **5,322** | **565** | **399** | **7.5** |

*Table 4.4.2 Annual turnover rates by critical occupation*

| Occupation | Employment at Beginning of Period (April 2013) | Appointments | Terminations | Turnover Rate % |
|---|---|---|---|---|
| Architects town and traffic planners | 29 | 2 | 7 | 24.1 |
| Chemical and physical science technicians | 9 | 0 | 0 | 0 |
| Civil engineering technicians | 8 | 1 | 0 | 0 |
| Electrical and electronics engineering technicians | 1 | 3 | 0 | 0 |
| Engineers and related professionals | 174 | 3 | 13 | 7.5 |
| Mechanical engineering technicians | 1 | 1 | 1 | 100 |
| Quantity surveyors & related prof not class elsewhere | 24 | 1 | 0 | 0 |
| **TOTAL** | **246** | **11** | **21** | **8.5** |

***Notes***
***The CORE classification, as prescribed by the DPSA, should be used for completion of this table. The table below identifies the major reasons why staff left the department.***

*Table 4.4.3 Reasons why staff left the department*

| Termination Type | Number | % of Total Resignations | % of Total Employment |
|---|---|---|---|
| Death, Permanent | 42 | 10.5 | 0.8 |
| Resignation, Permanent | 112 | 28.1 | 2.1 |
| Expiry of contract, Permanent | 148 | 37.1 | 2.8 |
| Discharged due to ill health, Permanent | 3 | 0.8 | 0.1 |
| Dismissal-misconduct, Permanent | 7 | 1.8 | 0.1 |
| Retirement, Permanent | 86 | 21.6 | 1.6 |
| Other, Permanent | 1 | 0.3 | 0 |
| **Total** | **399** | **100** | **7.5** |
| Resignations as % of Employment | | | |
| 7.5 | | | |

*Table 4.4.4 Promotions by critical occupation*

| Occupation | Employment at Beginning of Period (April 2013) | 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 | 29 | 0 | 0 | 11 | 37.9 |
| Chemical and physical science technicians | 9 | 0 | 0 | 6 | 66.7 |
| Civil engineering technicians | 8 | 0 | 0 | 4 | 50 |
| Electrical and electronics engineering technicians | 1 | 0 | 0 | 1 | 100 |
| Engineers and related professionals | 174 | 0 | 0 | 109 | 62.6 |
| Mechanical engineering technicians | 1 | 0 | 0 | 0 | 0 |
| Quantity surveyors & related prof | 24 | 0 | 0 | 22 | 91.7 |
| **TOTAL** | **246** | **0** | **0** | **153** | **62.2** |

*Table 4.4.5 Promotions by salary band*

| Salary Band | Employment at Beginning of Period (April 2013) | 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) | 1,283 | 0 | 0 | 881 | 68.7 |
| Skilled (Levels 3-5) | 1,332 | 9 | 0.7 | 1,182 | 88.7 |
| Highly skilled production (Levels 6-8) | 1,429 | 23 | 1.6 | 1,136 | 79.5 |
| Highly skilled supervision (Levels 9-12) | 1,024 | 33 | 3.2 | 840 | 82 |
| Senior management (Levels 13-16) | 254 | 9 | 3.5 | 73 | 28.7 |
| **TOTAL** | **5,322** | **74** | **1.4** | **4,112** | **77.3** |

## 4.5. EMPLOYMENT EQUITY

*Table 4.5.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2014*

| Occupational Categories | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 63 | 2 | 3 | 13 | 34 | 3 | 4 | 5 | 127 |
| Professionals | 230 | 31 | 19 | 106 | 216 | 7 | 2 | 25 | 636 |
| Technicians and associate professionals | 495 | 23 | 7 | 40 | 747 | 46 | 8 | 67 | 1,433 |
| Clerks | 208 | 27 | 1 | 25 | 381 | 29 | 10 | 92 | 773 |
| Service and sales workers | 64 | 8 | 0 | 3 | 35 | 1 | 0 | 0 | 111 |
| Craft and related trades workers | 134 | 50 | 8 | 68 | 32 | 0 | 0 | 1 | 293 |
| Plant and machine operators and assemblers | 50 | 11 | 4 | 0 | 7 | 1 | 0 | 1 | 74 |
| Elementary occupations | 761 | 231 | 8 | 18 | 1,097 | 140 | 3 | 4 | 2,262 |
| Other | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| **TOTAL** | **2,005** | **383** | **50** | **273** | **2,550** | **227** | **27** | **195** | **5,710** |
| Employees with disabilities | 20 | 9 | 1 | 16 | 11 | 2 | 0 | 6 | 65 |

*Table 4.5.2 Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2014*

| Occupational Bands | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 3 | 1 | 0 | 1 | 1 | 0 | 1 | 0 | 7 |
| Senior Management | 66 | 1 | 3 | 17 | 49 | 3 | 4 | 5 | 148 |
| Professionally qualified and experienced specialists and mid-management | 424 | 48 | 28 | 150 | 307 | 13 | 6 | 45 | 1,021 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen | 388 | 58 | 5 | 68 | 605 | 39 | 11 | 135 | 1,309 |
| Semi-skilled and discretionary decision making | 546 | 225 | 8 | 20 | 406 | 81 | 1 | 3 | 1,290 |
| Unskilled and defined decision making | 357 | 44 | 4 | 4 | 666 | 65 | 3 | 2 | 1,145 |
| Contract (Top Management) | 1 | 0 | 1 | 0 | 2 | 0 | 1 | 0 | 5 |
| Contract (Senior Management) | 14 | 0 | 0 | 3 | 7 | 0 | 0 | 1 | 25 |
| Contract (Professionally qualified) | 22 | 2 | 1 | 9 | 25 | 2 | 0 | 3 | 64 |

| Occupational Bands | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Contract (Skilled technical) | 58 | 1 | 0 | 1 | 64 | 2 | 0 | 0 | 126 |
| Contract (Semi-skilled) | 8 | 0 | 0 | 0 | 13 | 0 | 0 | 1 | 22 |
| Contract (Unskilled) | 118 | 3 | 0 | 0 | 405 | 22 | 0 | 0 | 548 |
| **TOTAL** | **2,005** | **383** | **50** | **273** | **2,550** | **227** | **27** | **195** | **5,710** |

*Table 4.5.3 Recruitment*

| Occupational Bands | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Senior Management | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 |
| Professionally qualified and experienced specialists and mid-management | 6 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 10 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen | 9 | 0 | 0 | 0 | 8 | 0 | 0 | 0 | 17 |
| Semi-skilled and discretionary decision making | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Unskilled and defined decision making | 1 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 4 |
| Contract (Top Management) | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 2 |
| Contract (Senior Management) | 7 | 0 | 0 | 1 | 5 | 0 | 0 | 0 | 13 |
| Contract (Professionally qualified) | 7 | 0 | 0 | 3 | 2 | 0 | 0 | 0 | 12 |
| Contract (Skilled technical) | 5 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 11 |
| Contract (Semi-skilled) | 9 | 0 | 0 | 0 | 8 | 0 | 0 | 1 | 18 |
| Contract (Unskilled) | 109 | 6 | 0 | 0 | 327 | 31 | 0 | 0 | 473 |
| **TOTAL** | **157** | **6** | **1** | **4** | **363** | **32** | **1** | **1** | **565** |

*Table 4.5.4 Promotion*

| Occupational Bands | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Senior Management | 35 | 0 | 1 | 10 | 26 | 1 | 2 | 1 | 76 |
| Professionally qualified and experienced specialists and mid-management | 351 | 46 | 26 | 131 | 248 | 11 | 7 | 40 | 860 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen | 328 | 56 | 4 | 57 | 535 | 33 | 11 | 119 | 1,143 |
| Semi-skilled and discretionary decision making | 490 | 215 | 5 | 18 | 377 | 75 | 1 | 4 | 1,185 |
| Unskilled and defined decision making | 286 | 39 | 4 | 2 | 484 | 43 | 3 | 0 | 861 |
| Contract (Senior Management) | 4 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 6 |
| Contract (Professionally qualified) | 4 | 0 | 0 | 3 | 5 | 1 | 0 | 0 | 13 |
| Contract (Skilled technical) | 4 | 0 | 0 | 0 | 11 | 1 | 0 | 0 | 16 |
| Contract (Semi-skilled) | 4 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 6 |
| Contract (Unskilled) | 1 | 0 | 0 | 0 | 17 | 2 | 0 | 0 | 20 |
| **TOTAL** | **1,507** | **356** | **40** | **221** | **1,707** | **167** | **24** | **164** | **4,186** |
| Employees with disabilities | 18 | 9 | 0 | 13 | 7 | 2 | 0 | 5 | 54 |

*Table 4.5.5 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 | 3 | 0 | 0 | 2 | 5 | 0 | 1 | 0 | 11 |
| Professionally qualified and experienced specialists and mid-management | 19 | 2 | 2 | 6 | 8 | 0 | 0 | 0 | 37 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen | 9 | 6 | 0 | 1 | 12 | 0 | 0 | 7 | 35 |
| Semi-skilled and discretionary decision making | 32 | 16 | 1 | 1 | 25 | 8 | 0 | 1 | 84 |
| Unskilled and defined decision making | 16 | 4 | 0 | 0 | 19 | 1 | 0 | 0 | 40 |
| Contract (Top Management) | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Contract (Senior Management) | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Contract (Professionally qualified) | 3 | 0 | 0 | 1 | 8 | 0 | 0 | 0 | 12 |
| Contract (Skilled technical) | 14 | 0 | 0 | 0 | 16 | 0 | 0 | 1 | 31 |
| Contract (Semi-skilled) | 8 | 0 | 0 | 0 | 12 | 0 | 1 | 0 | 21 |
| Contract (Unskilled) | 42 | 6 | 0 | 0 | 58 | 18 | 0 | 0 | 124 |
| **TOTAL** | **147** | **34** | **4** | **11** | **165** | **27** | **2** | **9** | **399** |
| Employees with disabilities | 2 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 4 |

*Table 4.5.6 Disciplinary action*

| Occupational Bands | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| TOTAL | 68 | 11 | 3 | 8 | 29 | 3 | 1 | 5 | 128 |

*Table 4.5.7 Skills development*

| Occupational Categories | Male | | | | Female | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, Senior Officials and Managers | 38 | 4 | 2 | 6 | 38 | 0 | 0 | 6 | 94 |
| Professionals | 140 | 23 | 10 | 90 | 133 | 7 | 2 | 19 | 424 |
| Technicians and Associate Professionals | 13 | 0 | 0 | 5 | 7 | 0 | 0 | 1 | 26 |
| Clerks | 313 | 23 | 3 | 10 | 405 | 20 | 17 | 37 | 828 |
| Service and Sales Workers | 14 | 2 | 0 | 0 | 5 | 0 | 0 | 0 | 21 |
| Skilled Agriculture and Fishery Workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Craft and related Trades Workers | 117 | 16 | 9 | 11 | 43 | 0 | 1 | 1 | 198 |
| Plant and Machine Operators and Assemblers | 11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| Elementary Occupations | 40 | 0 | 1 | 0 | 42 | 1 | 0 | 0 | 84 |
| **TOTAL** | **686** | **68** | **25** | **122** | **673** | **28** | **20** | **64** | **1,686** |
| Employees with disabilities | 1 | 0 | 0 | 2 | 6 | 0 | 0 | 0 | 9 |

## 4.6 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 4.6.1 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 | 1,328 | 2,539 | 52.3 | 5,793 | 4,362 |
| African, Male | 1,092 | 1,985 | 55 | 5,261 | 4,818 |
| Asian, Female | 21 | 27 | 77.8 | 148 | 7,027 |
| Asian, Male | 36 | 49 | 73.5 | 351 | 9,739 |
| Coloured, Female | 146 | 225 | 64.9 | 651 | 4,460 |
| Coloured, Male | 232 | 374 | 62 | 1,087 | 4,685 |
| Total Blacks, Female | 1,495 | 2,791 | 53.6 | 6,592 | 4,409 |
| Total Blacks, Male | 1,360 | 2,408 | 56.5 | 6,699 | 4,926 |
| White, Female | 145 | 189 | 76.7 | 1,216 | 8,389 |
| White, Male | 144 | 257 | 56 | 1,714 | 11,905 |
| Employees with a disability | 28 | 65 | 43.1 | 150 | 5,365 |
| **TOTAL** | **3,172** | **5,710** | **55.6** | **16,372** | **5,161** |

*Table 4.6.2 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'000) |
|---|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 778 | 1,693 | 46 | 1,690 | 2,172 |
| Skilled (Levels 3-5) | 983 | 1,312 | 74.9 | 2,792 | 2,840 |
| Highly skilled production (Levels 6-8) | 792 | 1,435 | 55.2 | 4,548 | 5,742 |
| Highly skilled supervision (Levels 9-12) | 606 | 1,085 | 55.9 | 7,105 | 11,724 |
| Periodical Remuneration | 0 | 1,165 | 0 | 0 | 0 |
| Abnormal Appointment | 0 | 258 | 0 | 0 | 0 |
| **TOTAL** | **3,159** | **6,948** | **45.5** | **16,135** | **5,108** |

*Table 4.6.3 Performance Rewards by critical occupation*

| Critical Occupations | Number of Beneficiaries | Total Employment | % of Total Employment | Cost (R'000) | Average Cost per Beneficiary (R'000) |
|---|---|---|---|---|---|
| Architects town and traffic planners | 15 | 45 | 33.3 | 244 | 16,267 |
| Chemical and physical science technicians | 7 | 10 | 70 | 44 | 6,286 |
| Civil engineering technicians | 7 | 11 | 63.6 | 63 | 9,000 |
| Electrical and electronics engineering technicians | 1 | 4 | 25 | 19 | 19,000 |
| Engineers and related professionals | 67 | 160 | 41.9 | 934 | 13,940 |
| Mechanical engineering technicians | 0 | 2 | 0 | 0 | 0 |
| Quantity surveyors & related prof not class elsewhere | 12 | 25 | 48 | 188 | 15,667 |
| **TOTAL** | **109** | **257** | **42.4** | **1,492** | **13,688** |

***Notes***

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

*Table 4.6.4 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) | % of SMS Wage Bill |
|---|---|---|---|---|---|---|
| Band A | 0 | 126 | 0 | 0 | 0 | 0 |
| Band B | 0 | 47 | 0 | 0 | 0 | 0 |
| Band C | 0 | 9 | 0 | 0 | 0 | 0 |
| Band D | 0 | 3 | 0 | 0 | 0 | 0 |
| **TOTAL** | **0** | **185** | **0** | **0** | **0** | **0** |

## 4.7. FOREIGN WORKERS

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

*Table 4.7.1 Foreign workers by salary band*

| Salary Band | 1 April 2013 | | 31 March 2014 | | Change | |
|---|---|---|---|---|---|---|
| | Number | % of Total | Number | % of Total | Number | % Change |
| Lower skilled (Levels 1-2) | 3 | 21.4 | 1 | 8.3 | -2 | 100 |
| Semi-Skilled (Levels 3-5) | 0 | 0 | 1 | 8.3 | 1 | -50 |
| Highly skilled supervision (Levels 9-12) | 7 | 50 | 6 | 50.0 | -1 | 50 |
| Senior management (Levels 13-16) | 4 | 28.6 | 4 | 33.3 | 0 | 0 |
| **TOTAL** | **14** | **100** | **12** | **100** | **-2** | **100** |

*Table 4.7.2 Foreign workers by major occupation*

| Major Occupation | 1 April 2013 | | 31 March 2014 | | Change | |
|---|---|---|---|---|---|---|
| | Number | % of Total | Number | % of Total | Number | % Change |
| Elementary occupations | 2 | 14.3 | 2 | 16.7 | 0 | 0 |
| Professionals and managers | 12 | 85.7 | 10 | 83.3 | -2 | 100 |
| **TOTAL** | **14** | **100** | **12** | **100** | **-2** | **100** |

## 4.8. 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 4.8.1 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 Employees | Estimated Cost (R'000) | Number of days with Medical Certification |
|---|---|---|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 8058 | 86.4 | 822 | 18.9 | 10 | 2,258 | 6,959 |
| Skilled (Levels 3-5) | 9,922.5 | 84.1 | 1,013 | 23.3 | 10 | 3,532 | 8,348 |
| Highly skilled production (Levels 6-8) | 10,934 | 77.6 | 1197 | 27.5 | 9 | 7,715 | 8,488 |
| Highly skilled supervision (Levels 9-12) | 7,425.5 | 79.9 | 857 | 19.7 | 9 | 12,513 | 5,934 |
| Senior management (Levels 13-16) | 978 | 81.3 | 117 | 2.7 | 8 | 3,174 | 795 |
| Contract (Levels 1-2) | 441 | 73.2 | 135 | 3.1 | 3 | 88 | 323 |
| Contract (Levels 3-5) | 106 | 51.9 | 33 | 0.8 | 3 | 41 | 55 |
| Contract (Levels 6-8) | 571 | 62.5 | 120 | 2.8 | 5 | 367 | 357 |
| Contract (Levels 9-12) | 247 | 75.7 | 46 | 1.1 | 5 | 357 | 187 |
| Contract (Levels 13-16) | 41 | 87.8 | 8 | 0.2 | 5 | 136 | 36 |
| **TOTAL** | **38,724** | **81.3** | **4,348** | **100** | **9** | **30,181** | **31,482** |

*Table 4.8.2 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) |
|---|---|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 301 | 100 | 6 | 18.8 | 50 | 84 |
| Skilled (Levels 3-5) | 498 | 100 | 7 | 21.9 | 71 | 178 |
| Highly skilled production (Levels 6-8) | 486 | 100 | 7 | 21.9 | 69 | 397 |
| Highly skilled supervision (Levels 9-12) | 409 | 100 | 9 | 28.1 | 45 | 787 |
| Senior management (Levels 13-16) | 63 | 100 | 3 | 9.4 | 21 | 191 |
| **TOTAL** | **1757** | **100** | **32** | **100** | **55** | **1,637** |

The table below summarises the utilisation 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 4.8.3 Annual Leave

| Salary Band | Total Days Taken | Average days per Employee | Number of Employees who took leave |
|---|---|---|---|
| Lower skilled (Levels 1-2) | 24,450 | 21 | 1,152 |
| Skilled (Levels 3-5) | 35,312 | 25 | 1,398 |
| Highly skilled production (Levels 6-8) | 31,275 | 22 | 1,392 |
| Highly skilled supervision (Levels 9-12) | 25,516 | 24 | 1,084 |
| Senior management (Levels 13-16) | 3,969 | 24 | 167 |
| Contract (Levels 1-2) | 2,810 | 6 | 436 |
| Contract (Levels 3-5) | 433 | 9 | 50 |
| Contract (Levels 6-8) | 2,162 | 14 | 159 |
| Contract (Levels 9-12) | 982 | 14 | 69 |
| Contract (Levels 13-16) | 256 | 12 | 21 |
| Not Available | 6 | 3 | 2 |
| **TOTAL** | **127,170** | **21** | **5,930** |

## Table 4.8.4 Capped leave

| Salary Band | Total days of capped leave taken | Average number of days taken per employee | Average capped leave per employee as at 31 December 2012 | Number of Employees who took Capped leave |
|---|---|---|---|---|
| Lower skilled (Levels 1-2) | 68 | 8 | 37 | 9 |
| Skilled (Levels 3-5) | 260 | 5 | 63 | 53 |
| Highly skilled production (Levels 6-8) | 71 | 3 | 39 | 24 |
| Highly skilled supervision (Levels 9-12) | 58 | 3 | 54 | 17 |
| **TOTAL** | **457** | **4** | **54** | **103** |

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

## Table 4.8.5 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 2013/14 | 129 | 16 | 8,063 |
| Current leave pay-outs on termination of service for 2013/14 | 96 | 127 | 756 |
| **TOTAL** | **225** | **143** | **1,573** |

## 4.9. HIV/AIDS & HEALTH PROMOTION PROGRAMS

*Table 4.9.1 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 |
|---|---|
| Mobility and migration are heavily linked to the spread of HIV particularly in relation to construction sector. | As custodian and main player in the construction sector, the National Department of Public Works (DPW) developed and implemented an HIV/AIDS Strategy for the construction sector to protect and support the industry's workforce |

*Table 4.9.2 Details of Health Promotion and HIV/AIDS Programs (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 R 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 | | Wellness and HIV Advocacy Support Units are established within OD directorate to promote Health & Wellness and awareness on HIV, STI and TB. Six staff members are responsible for a staff establishment of 6700 for annual budget of R1,777, 000 (goods & services). |
| 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. |
| 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 articulate 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 HIV Counselling and Testing and TB screening. 1,307 employees were counselled and tested for HIV. |

| Question | Yes | No | Details, if yes |
|---|---|---|---|
| 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. Number of employees attending wellness events. Number of wellness events, workshops and training conducted, Sick leave utilisation (reduction), Number of employees living openly with HIV |

## 4.10. LABOUR RELATIONS

*Table 4.10.1 Collective agreements*

| Subject Matter | Date |
|---|---|
| National Framework Agreement | 14/03/2014 |

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

*Table 4.10.2 Misconduct and disciplinary hearings finalised*

| Outcomes of disciplinary hearings | Number | % of Total | Total |
|---|---|---|---|
| Dismissal | 9 | 7 | 9 |
| Suspensions from work without pay | 18 | 14.1 | 18 |
| Final Written Warnings | 35 | 27.3 | 35 |
| Written Warnings | 36 | 28.1 | 36 |
| Verbal Warnings | 24 | 19 | 24 |
| Corrective Counselling | 1 | 1 | 1 |
| Demotion | 1 | 1 | 1 |
| Withdrawals | 4 | 3.1 | 4 |
| **TOTAL** | **128** | **100%** | **128** |

*Table 4.10.3 Types of misconduct addressed at disciplinary hearings*

| Type of misconduct | Number | % of Total | Total |
|---|---|---|---|
| Absent from work without reason or permission | 29 | 23 | 29 |
| Steals, bribes or commits fraud, Corruption | 1 | 1 | 1 |
| Gave false information | 1 | 1 | 1 |
| Displayed disrespectful, disgraceful and unacceptable behaviour | 2 | 1.6 | 2 |
| Assault | 2 | 1.6 | 2 |
| Abuse of state vehicle | 3 | 2.3 | 3 |
| Negligence of duty | 27 | 21.1 | 27 |
| Failure to comply with policy or procedures | 23 | 18 | 23 |
| Drinking on duty | 4 | 3.1 | 4 |
| Irregular, fruitless and wasteful expenditure | 5 | 3.9 | 5 |
| Late coming | 4 | 3.1 | 4 |
| Failure to carry out lawful instruction/insubordination | 22 | 17.2 | 22 |
| Sexual harassment | 2 | 1.6 | 2 |
| Abuse of power | 1 | 1 | 1 |
| Damage of state property | 1 | 1 | 1 |
| Poor performance | 2 | 1.6 | 2 |
| **TOTAL** | **128** | **100** | **128** |

*Table 4.10.4 Grievances logged*

| Number of grievances addressed | Number | % of Total | Total |
|---|---|---|---|
| Not resolved | 0 | 0 | 0 |
| Resolved | 131 | 100 | 131 |
| **TOTAL** | **131** | **100** | **131** |

*Table 4.10.5 Disputes logged*

| Number of disputes addressed | Number | % of total | Number |
|---|---|---|---|
| Upheld | 3 | 30 | 3 |
| Dismissed | 7 | 70 | 7 |
| **Total** | **10** | **100** | **10** |

*Table 4.10.6 Strike actions*

| Strike Actions | |
|---|---|
| Total number of person working days lost | None |
| Total cost (R'000) of working days lost | R 0,00 |
| Amount (R'000) recovered as a result of no work no pay | R 0,00 |

## Table 4.10.7 Precautionary suspensions

| Precautionary Suspensions | |
|---|---|
| Number of people suspended | 3 |
| Number of people whose suspension exceeded 30 days | 2 |
| Average number of days suspended | 120 |
| Cost (R'000) of suspensions | R 637,876 |

## 4.11. SKILLS DEVELOPMENT

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

## Table 4.11.1 Training needs identified

| Occupational Categories | Gender | Employment | Learnership | Skills Programmes & other short courses | Other forms of training (Young Professionals, Management Trainees, Skills Development Learners and Interns) | Total |
|---|---|---|---|---|---|---|
| Legislators, senior officials and managers | Female | 46 | 0 | 14 | 12 | 26 |
| | Male | 81 | 0 | 17 | 11 | 28 |
| Professionals | Female | 250 | 0 | 387 | 138 | 525 |
| | Male | 230 | 0 | 331 | 112 | 443 |
| Technicians and associate professionals | Female | 868 | 0 | 76 | 89 | 165 |
| | Male | 495 | 0 | 141 | 111 | 252 |
| Clerks | Female | 512 | 0 | 548 | 473 | 1,021 |
| | Male | 208 | 0 | 318 | 204 | 522 |
| Service and sales workers | Female | 36 | 0 | 5 | 0 | 5 |
| | Male | 64 | 0 | 1 | 0 | 1 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 33 | 0 | 0 | 73 | 73 |
| | Male | 134 | 0 | 0 | 55 | 55 |
| Plant and machine operators and assemblers | Female | 9 | 0 | 104 | 0 | 104 |
| | Male | 50 | 0 | 54 | 0 | 54 |
| Elementary occupations | Female | 1,245 | 0 | 287 | 0 | 287 |
| | Male | 761 | 0 | 213 | 0 | 213 |
| Gender sub totals | Female | 2,999 | 0 | 1,421 | 785 | 2,206 |
| | Male | 2,005 | 0 | 1,075 | 493 | 1,568 |
| **Total** | | **5,710** | **0** | **2,496** | **1,278** | **3,774** |

*Table 4.11.2 Training provided for the period*

| Occupational Categories | Gender | Employment | Learnerships | Skills Programmes & other short courses | Other forms of training (Young Professionals, Management Trainees, Skills Development Learners and Interns) | Total |
|---|---|---|---|---|---|---|
| Legislators, senior officials and managers | Female | 46 | 0 | 37 | 7 | 90 |
| | Male | 81 | 0 | 44 | 6 | 131 |
| Professionals | Female | 250 | 0 | 137 | 24 | 411 |
| | Male | 230 | 0 | 238 | 25 | 493 |
| Technicians and associate professionals | Female | 868 | 0 | 7 | 77 | 952 |
| | Male | 495 | 0 | 13 | 74 | 582 |
| Clerks | Female | 512 | 0 | 463 | 451 | 1,126 |
| | Male | 208 | 0 | 337 | 191 | 736 |
| Service and sales workers | Female | 36 | 0 | 5 | 0 | 41 |
| | Male | 64 | 0 | 16 | 0 | 80 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 33 | 0 | 45 | 73 | 151 |
| | Male | 134 | 0 | 153 | 55 | 342 |
| Plant and machine operators and assemblers | Female | 9 | 0 | 0 | 0 | 9 |
| | Male | 50 | 0 | 11 | 0 | 61 |
| Elementary occupations | Female | 1,245 | 0 | 43 | 0 | 1,288 |
| | Male | 761 | 0 | 41 | 0 | 802 |
| Gender sub totals | Female | 2,999 | 0 | 737 | 632 | 4,368 |
| | Male | 2,023 | 0 | 853 | 351 | 3,227 |
| **Total** | | **5,022** | **0** | **1,590** | **983** | **7,595** |

## 4.12. INJURY ON DUTY

The following tables provide basic information on injury on duty.

*Table 4.12.1 Injury on duty*

| Nature of injury on duty | Number | % of total |
|---|---|---|
| Required basic medical attention only | 17 | 74 |
| Temporary Total Disablement | 8 | 36 |
| Permanent Disablement | 0 | 0 |
| Fatal | 0 | 0 |
| **Total** | **25** | **100** |

# CHAPTER 5 ▪ FINANCIAL STATEMENTS

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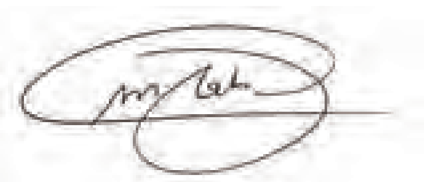
The annual financial statements set out on pages 276 to 343, which have been prepared on the going concern basis, were approved on 30 May 2014:



**Mr. Mziwonke Dlabantu**

**Director-General**

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

for the year ended 31 March 2014

## REPORT ON THE FINANCIAL STATEMENTS

### *Introduction*

1. I have audited the financial statements of the Department of Public Works set out on pages 180 to 248, which comprise the appropriation statement, the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### *Accounting Officer's responsibility for the financial statements*

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash standard prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2013 (Act no. 2 of 2013) (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.

### *Auditor-general's responsibility*

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

6. 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 2014 and its financial performance and cash flows for the year then ended, in accordance with the modified cash standard prescribed by the National Treasury and the requirements of the PFMA and DoRA.

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

for the year ended 31 March 2014

### *Emphasis of matters*

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### *Immovable assets*

8. As disclosed in notes 32 and 35 to the financial statements the prior year qualification on immovable assets was not resolved. All immovable assets were transferred to the Property Management Trading Entity with effect 1 April 2013, therefore the effects of the unresolved matter has no impact on the comparability of the current and corresponding figures.

### *Restatement of corresponding figures*

9. As disclosed in notes 4, 20, 23 and 25 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of errors discovered during 2014, in the financial statements of the Department of Public Works at, and for the year ended, 31 March 2013.

### *Material impairments*

10. As disclosed in note 12 to the financial statements, material impairments to the amount of R51 453 000 were provided for as a result of irrecoverable receivables.

### *Material underspending of the vote*

11. As disclosed in the appropriation statement, the department has materially underspent the budget on programme 2, immovable asset management, to the amount of R104 981 000. As a consequence, the department's objectives of infrastructure delivery were not fully achieved.

### *Additional matter*

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

### *Unaudited supplementary schedules*

13. The supplementary information set out on pages 249 to 270 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

## for the year ended 31 March 2014

was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### *Predetermined objectives*

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2014:

- Programme 2: Immovable Asset Management on pages 79 to 101
- Programme 3: Expanded Public Works Programme (EPWP) on pages 102 to 103
- Programme 4: Property and Construction Industry Policy Regulation on pages 104 to 106

16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material findings in respect of the selected programmes are as follows:

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

### *Reliability of reported performance information*

20. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objective, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 31% of the targets to assess the reliability of the reported performance information. This was due to the absence of guidelines on document retention and records management for the EPWP programme as well as a lack of oversight in ensuring that payments are only made to valid beneficiaries.

21. I did not raise any material findings on the usefulness and reliability of the reported performance information for programme 2: Immovable Asset Management and programme 4: Property and Construction Industry Policy Regulation.

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

for the year ended 31 March 2014

### *Additional matters*

22. I draw attention to the following matters:

### *Achievement of planned targets*

23. Refer to the annual performance report on pages 79 to 106 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material finding on the reliability of the reported performance information for the selected programmes reported in paragraph 20 of this report.

### *Adjustment of material misstatements*

24. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for programme 2: Immovable Asset Management, programme 3: EPWP and programme 4: Property and Construction Industry Policy Regulation. As management subsequently corrected only some of the misstatements, I raised a material finding on the reliability of the reported performance information.

### *Compliance with legislation*

25. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### *Strategic planning and performance management*

26. Effective, efficient and transparent systems of risk management and internal control with respect to performance information and management was not in maintained as required by section 38(1)(a)(i) of the PFMA.

### *Financial statements, performance and annual reports*

27. The financial statements submitted for auditing were not fully prepared in accordance with generally recognised accounting practice as prescribed by National Treasury as required by section 40(1)(b) of the PFMA and Treasury Regulation 18.2.

### *Internal audit*

28. The operational procedure and monitoring mechanisms were not assessed over transfers in terms of the annual Division of Revenue Act as required by Treasury Regulation 3.2.8.

### *Procurement and contract management*

29. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

## for the year ended 31 March 2014

30. A contract was awarded to a bidder who did not submit a declaration on whether it is employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A8.3.

31. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements as the department did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to evaluate compliance.

### *Human resource management and compensation*

32. Appointments were not only made in posts that were approved and funded as required by Public Service Regulation 1/III/F.1(a) and (d).

33. Funded vacant post were not filled within 12 months after becoming vacant as prescribed by Public Service Regulation 1/VII/C.1A.2.

34. Claims in candidates' applications for posts were not in all instances verified before appointment as required by Public Service Regulation 1/VII/D.8.

35. Human resource planning, based on the strategic plan for the department with a view to meeting the human resource needs, was not completed and approved for the year under review as the process was ongoing. Thus contravening Public Service Regulation 1/III/B.2(d).

### *Expenditure management*

36. The accounting officer did not take effective steps to prevent irregular expenditure as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

### *Consequence management*

37. Effective and appropriate disciplinary steps were not in certain instances taken against officials who made or permitted irregular expenditure as required by section 38(1)(h)(iii) of the PFMA and Treasury Regulation 9.1.3.

38. Some allegations of corruption, improper conduct or failure to comply with the SCM system were not yet investigated as required by Treasury Regulation 16A9.1(b).

### *Internal control*

39. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on the annual performance report and the findings on non-compliance with legislation included in this report.

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

for the year ended 31 March 2014

### *Leadership*

40. Leadership did not exercise effective oversight with regard to financial and performance reporting and compliance as well as related internal controls.

41. Leadership was not successful in improving the high vacancy rate in the department, the human resource plan and updated organisational structure stipulating the requisite capacity and skills were only finalised late in March 2014 to be effective in the financial year ending 31 March 2015.

42. Leadership did not in all instances approve and implement policies and procedures to enable and support the understanding and execution of internal objectives, processes and responsibilities.

### *Financial and performance management*

43. 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.

44. Implemented controls over daily and monthly processing and reconciling of transactions were not effective in certain instances.

45. Regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information were not prepared throughout the interim period.

46. The review and monitoring of compliance with applicable laws and regulations were ineffective.

### *Governance*

47. Leadership must continue to focus on expanding capacity in the risk management and internal audit units to ensure optimal functioning in terms of addressing of risks and internal control deficiencies across all locations within the department.

## OTHER REPORTS

### *Performance audits*

48. A performance audit was concluded on the Department of Public Works' readiness to fulfil its performance oversight roles and responsibilities. The report will be tabled in due course.

### *Investigations*

49. Numerous internal allegations, mainly relating to transgressions with respect to supply chain management, potential fraud and financial misconduct are being investigated on an ongoing basis.

# Report of the Auditor-General to Parliament on Vote 7: Department of Public Works

## for the year ended 31 March 2014

50. An ongoing investigation is being conducted to probe the alleged abuse of urgent and emergency procurement as well the utilisation of sole suppliers. The investigation aims to establish whether there was collusion between officials and service providers and to determine any reckless spending of funds. The investigation is being conducted in phases, with 19 investigations underway of which 15 have been finalised and are in the reporting process. The department is instituting disciplinary action in respect of the finalised reports on an ongoing basis.

51. An investigation has been conducted by the Public Protector to probe allegations of the misappropriation of public funds by the Department of Public Works in respect of the installation and implementation of security measures at the President's private residence at Nkandla. The report was released on 19 March 2014.

52. In addition to the abovementioned, a proclamation - No. R. 59 of 2013 - was approved on 20 December 2013 by the president for the Special Investigating Unit to also probe the allegations relating to the prestige project involving the security upgrading of the private residence of the President situated at Nkandla, KwaZulu-Natal.

Auditor-General

**Pretoria**

**31 July 2014**

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# Appropriation Statement
## for the year ended 31 March 2014

| Appropriation per programme | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| APPROPRIATION STATEMENT | 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. ADMINISTRATION | | | | | | | | | |
| Current payment | 1,116,931 | (7,788) | (25,656) | 1,083,487 | 1,068,284 | 15,203 | 98.6% | 955,195 | 832,925 |
| Transfers and subsidies | 1,156 | - | - | 1,156 | 856 | 300 | 74% | 5,996 | 5,988 |
| Payment for capital assets | 40,075 | - | - | 40,075 | 22,123 | 17,952 | 55.2% | 43,773 | 17,272 |
| Payment for financial assets | - | 7,788 | - | 7,788 | 7,788 | - | 100% | - | - |
| | 1,158,162 | - | (25,656) | 1,132,506 | 1,099,051 | 33,455 | | 1,004,964 | 856,185 |
| 2. IMMOVABLE ASSET MANAGEMENT | | | | | | | | | |
| Current payment | 1,391,176 | (1,290) | (14,138) | 1,375,748 | 1,348,529 | 27,219 | 98% | 1,288,331 | 1,220,823 |
| Transfers and subsidies | 855,064 | 1,290 | 50,000 | 906,354 | 906,349 | 5 | 100% | 2,725,661 | 2,605,177 |
| Payment for capital assets | 735,530 | - | (50,000) | 685,530 | 607,351 | 78,179 | 88.6% | 1,038,945 | 737,501 |
| | 2,981,770 | - | (14,138) | 2,967,632 | 2,862,229 | 105,403 | | 5,052,937 | 4,563,501 |
| 3. EXPANDED PUBLIC WORKS PROGRAMME | | | | | | | | | |
| Current payment | 281,139 | - | (10,692) | 270,447 | 270,257 | 190 | 99.9% | 268,943 | 244,354 |
| Transfers and subsidies | 1,664,208 | - | - | 1,664,208 | 1,659,895 | 4,313 | 99.7% | 1,455,104 | 1,454,586 |
| Payment for capital assets | 2,622 | - | - | 2,622 | 1,538 | 1,084 | 58.7% | 1,827 | 1,913 |
| Payment for financial assets | - | - | - | - | - | - | - | 3,198 | 3,198 |
| | 1,947,969 | - | (10,692) | 1,937,277 | 1,931,690 | 5,587 | | 1,729,072 | 1,704,051 |

# Appropriation Statement

## for the year ended 31 March 2014

| Appropriation per programme | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| APPROPRIATION STATEMENT | 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 |
| 4. PROPERTY AND CONSTRUCTION INDUSTRY POLICY REGULATIONS | | | | | | | | | |
| Current payment | 36,357 | - | - | 36,357 | 22,281 | 14,076 | 61.3% | 37,309 | 16,851 |
| Transfers and subsidies | 200 | - | - | 200 | 10,429 | (10,229) | 5214.50% | 3 | 9,906 |
| Payment for capital assets | 125 | - | - | 125 | 48 | 77 | 38.4% | 124 | 101 |
| | 36,682 | - | - | 36,682 | 32,758 | 3,924 | | 37,436 | 26,858 |
| 5. AUXILLIARY AND ASSOCIATED SERVICES | | | | | | | | | |
| Current payment | 27,417 | - | 50,486 | 77,903 | 77,903 | - | 100% | 45,291 | 36,634 |
| Transfers and subsidies | 23,261 | - | - | 23,261 | 19,023 | 4,238 | 81.8% | 21,548 | 16,696 |
| | 50,678 | - | 50,486 | 101,164 | 96,926 | 4,238 | | 66,839 | 53,330 |
| | | | | | | | | | |
| TOTAL | 6,175,261 | - | - | 6,175,261 | 6,022,654 | 152,607 | 97.5% | 7,891,248 | 7,203,925 |

# Appropriation Statement

for the year ended 31 March 2014

| Appropriation per programme | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| APPROPRIATION STATEMENT | 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 |
| TOTAL (brought forward) | | | | 6,175,261 | 6,022,654 | | | 7,891,248 | 7,203,925 |
| Reconciliation with statement of financial performance | | | | | | | | | |
| ADD | | | | | | | | | |
| Departmental receipts | | | | 55,470 | | | | 53,795 | |
| Actual amounts per statement of financial performance (total revenue) | | | | 6,230,731 | | | | 7,945,043 | |
| Actual amounts per statement of financial performance (total expenditure) | | | | | 6,022,654 | | | | 7,203,925 |

# Appropriation Statement

for the year ended 31 March 2014

| Appropriation per economic classification | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| | 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 |
| **Current payments** | | | | | | | | | |
| Compensation of employees | 1,473,467 | (13,779) | 20,940 | 1,480,628 | 1,471,497 | 9,131 | 99.4% | 1,381,450 | 1,374,552 |
| Goods and services | 1,379,553 | 4,692 | (20,940) | 1,363,305 | 1,315,755 | 47,550 | 96.5% | 1,203,845 | 977,014 |
| Interest and rent on land | - | - | - | - | - | - | - | 9,774 | 21 |
| **Transfers and sub-sidies** | | | | | | | | | |
| Provinces and municipalities | 1,225,778 | - | - | 1,225,778 | 1,221,445 | 4,333 | 99.6% | 3,090,982 | 2,969,955 |
| Departmental agencies and accounts | 803,694 | - | - | 803,694 | 802,412 | 1,282 | 99.8% | 752,986 | 751,640 |
| Foreign governments and international organisations | 20,510 | - | - | 20,510 | 17,555 | 2,955 | 85.6% | 18,941 | 15,436 |
| Public corporations and private enterprises | 50,000 | - | 50,000 | 100,000 | 100,000 | - | 100% | 50,800 | 50,800 |
| Non-profit institutions | 438,281 | - | - | 438,281 | 448,679 | (10,398) | 102.4% | 282,724 | 292,627 |
| Households | 5,626 | 1,299 | - | 6,925 | 6,463 | 462 | 93.3% | 11,876 | 11,875 |
| Gifts and donations | - | - | - | - | - | - | - | 3 | 20 |
| **Payments for capital assets** | | | | | | | | | |
| Buildings and other fixed structures | 676,206 | - | (50,000) | 626,206 | 567,365 | 58,841 | 90.6% | 999,254 | 713,003 |
| Machinery and equipment | 90,912 | (5,236) | - | 85,676 | 47,511 | 38,165 | 55.5% | 59,558 | 43,283 |
| Software and other intangible assets | 11,234 | 5,236 | - | 16,470 | 16,184 | 286 | 98.3% | 25,857 | 501 |
| Payments for financial assets | - | 7,788 | - | 7,788 | 7,788 | - | 100% | 3,198 | 3,198 |
| **Total** | **6,175,261** | **-** | **-** | **6,175,261** | **6,022,654** | **152,607** | **97.5%** | **7,891,248** | **7,203,925** |

# Appropriation Statement

## for the year ended 31 March 2014

| | 2013/14 | | | | | | | 2012/13 | |
|---|---|---|---|---|---|---|---|---|---|
| Program 1 Per Economic classification | 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 |
| **Current payments** | | | | | | | | | |
| Compensation of employees | 227,403 | (7,788) | 19,770 | 239,385 | 232,509 | 6,876 | 97.1% | 219,600 | 218,980 |
| Goods and services | 889,528 | - | (45,426) | 844,102 | 835,775 | 8,327 | 99% | 732,934 | 613,924 |
| Interest and rent on land | - | - | - | - | - | - | - | 2,661 | 21 |
| **Transfers and sub-sidies** | | | | | | | | | |
| Provinces and municipalities | 11 | - | - | 11 | 2 | 9 | 18.2% | 11 | 3 |
| Households | 1,145 | - | - | 1,145 | 854 | 291 | 74.6% | 5,985 | 5,985 |
| Gifts and donations | - | - | - | - | - | - | - | - | - |
| **Payments for capital assets** | | | | | | | | | |
| Machinery and equipment | 29,259 | (5,236) | - | 24,023 | 6,071 | 17,952 | 25.3% | 18,260 | 17,115 |
| Software and other intangible assets | 10,816 | 5,236 | - | 16,052 | 16,052 | - | 100% | 25,513 | 157 |
| Payments for financial assets | - | 7,788 | - | 7,788 | 7,788 | - | 100% | - | - |
| **Total** | **1,158,162** | **-** | **(25,656)** | **1,132,506** | **1,099,051** | **33,455** | **97%** | **1,004,964** | **856,185** |

# Appropriation Statement

for the year ended 31 March 2014

| Detail per sub-programme | 2013/14 | | | | | | | 2012/13 | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **1.1 MINISTRY** | | | | | | | | | |
| Current payment | 29,423 | (10,083) | - | 19,340 | 19,340 | - | 100% | 20,097 | 20,097 |
| Transfers and subsidies | 5 | - | - | 5 | 2 | 3 | 40% | 1,342 | 1,334 |
| Payment for capital assets | 200 | - | - | 200 | 170 | 30 | 85% | 900 | 848 |
| **1.2 MANAGEMENT** | | | | | | | | | |
| Current payment | 133,992 | (30,894) | 4,000 | 107,098 | 107,098 | - | 100% | 90,063 | 88,202 |
| Transfers and subsidies | 150 | - | - | 150 | 112 | 38 | 74.7% | 3,306 | 3,306 |
| Payment for capital assets | 783 | - | - | 783 | 482 | 301 | 61.6% | 1,348 | 1,348 |
| **1.3 CORPORATE SERVICES** | | | | | | | | | |
| Current payment | 448,616 | 40,288 | 2,356 | 491,260 | 488,358 | 2,902 | 99.4% | 379,652 | 349,327 |
| Transfers and subsidies | 1,001 | - | - | 1,001 | 742 | 259 | 74.1% | 1,348 | 1,348 |
| Payment for capital assets | 39,092 | - | - | 39,092 | 21,471 | 17,621 | 54.9% | 41,525 | 15,076 |
| Payments for financial assets | - | 7,788 | - | 7,788 | 7,788 | - | 100% | - | - |
| **1.4 OFFICE ACCOMODATION** | | | | | | | | | |
| Current payment | 504,900 | (7,099) | (32,012) | 465,789 | 453,488 | 12,301 | 97.4% | 465,383 | 375,299 |
| **Total** | **1,158,162** | **-** | **(25,656)** | **1,132,506** | **1,099,051** | **33,455** | **97%** | **1,004,964** | **856,185** |

# Appropriation Statement

## for the year ended 31 March 2014

| Programme 2 Per Economic classification | 2013/14 Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | 2012/13 Final Appropriation | Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| **Current payments** | | | | | | | | | |
| Compensation of employees | 1,124,251 | (3,299) | 1,170 | 1,122,122 | 1,122,122 | - | 100% | 1,046,755 | 1,046,755 |
| Goods and services | 266,925 | 2,000 | (15,308) | 253,617 | 226,406 | 27,211 | 89.2% | 234,584 | 174,068 |
| Interest and rent on land | - | - | - | - | - | - | - | 6,992 | - |
| **Transfers and subsidies to:** | | | | | | | | | |
| Provinces and municipalities | 15 | - | - | 15 | 2 | 13 | 13.3% | 1,918,674 | 1,798,173 |
| Departmental agencies and accounts | 800,944 | - | - | 800,944 | 800,944 | - | 100% | 750,380 | 750,380 |
| Public corporations and private enterprises | 50,000 | - | 50,000 | 100,000 | 100,000 | - | 100% | 50,800 | 50,800 |
| Households | 4,105 | 1,299 | - | 5,404 | 5,404 | - | 100% | 5,804 | 5,804 |
| Gifts and donations | - | - | - | - | - | - | - | 3 | 20 |
| **Payment for capital assets** | | | | | | | | | |
| Buildings and other fixed structures | 676,206 | - | (50,000) | 626,206 | 567,365 | 58,841 | 90.6% | 999,254 | 713,003 |
| Machinery and equipment | 58,906 | - | - | 58,906 | 39,854 | 19,052 | 67.7% | 39,347 | 24,154 |
| Software and other intangible assets | 418 | - | - | 418 | 132 | 286 | 31.6% | 344 | 344 |
| **Total** | **2,981,770** | **-** | **(14,138)** | **2,967,632** | **2,862,229** | **105,403** | **96.4%** | **5,052,937** | **4,563,501** |

# Appropriation Statement

## for the year ended 31 March 2014

| Detail per sub-programme | 2013/14 | | | | | | | 2012/13 | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **2.1 INFRASTRUCTURE (PUBLIC WORKS)** | | | | | | | | | |
| Payment for capital assets | 676,206 | - | (50,000) | 626,206 | 567,365 | 58,841 | 90.6% | 999,254 | 713,003 |
| **2.2 PROPERTY MANAGEMENT** | | | | | | | | | |
| Transfers and subsidies | - | - | - | - | - | - | - | 1,918,659 | 1,798,170 |
| **2.3 STRATEGIC ASSET INVESTMENT ANALYSIS** | | | | | | | | | |
| Current payment | 129,726 | (16,758) | 6,000 | 118,968 | 93,338 | 25,630 | 78.5% | 101,373 | 54,582 |
| Transfers and subsidies | 173 | (5) | - | 168 | 168 | - | 100% | 90 | 82 |
| Payment for capital assets | 14,963 | (10,000) | - | 4,963 | 398 | 4,565 | 8% | 11,852 | 713 |
| **2.4 OPERATION MANAGEMENT** | | | | | | | | | |
| Current payment | 1,095,137 | 26,311 | 28,238 | 1,149,686 | 1,149,686 | - | 100% | 1,057,606 | 1,057,019 |
| Transfers and subsidies | 3,947 | 840 | - | 4,787 | 4,782 | 5 | 99.9% | 5,428 | 5,441 |
| Payment for capital assets | 29,286 | (2,400) | - | 26,886 | 13,552 | 13,334 | 50.4% | 18,324 | 15,386 |
| **2.5 PRESTIGE MANAGEMENT** | | | | | | | | | |
| Current payment | 41,283 | (1,149) | (13,068) | 27,066 | 25,899 | 1,167 | 95.7% | 45,177 | 32,498 |
| Transfers and subsidies | - | 55 | - | 55 | 55 | - | 100% | 10 | 10 |
| Payment for capital assets | 11,000 | - | - | 11,000 | 9,602 | 1,398 | 87.3% | 3,219 | 2,103 |

# Appropriation Statement

for the year ended 31 March 2014

| Detail per sub-programme | 2013/14 | | | | | | | 2012/13 | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **2.6 SPECIAL PROJECTS** | | | | | | | | | |
| Current payment | 125,030 | (9,694) | (35,308) | 80,028 | 79,606 | 422 | 99.5% | 84,175 | 76,724 |
| Transfers and subsidies | - | 400 | - | 400 | 400 | - | 100% | 294 | 294 |
| Payment for capital assets | 4,075 | 12,400 | - | 16,475 | 16,434 | 41 | 99.8% | 6,296 | 6,296 |
| **2.7 CONSTRUCTION INDUSTRY DEVELOPMENT BOARD** | | | | | | | | | |
| Transfers and subsidies | 72,361 | - | - | 72,361 | 72,361 | - | 100% | 67,614 | 67,614 |
| **2.8 COUNCIL FOR THE BUILT ENVIRONMENT** | | | | | | | | | |
| Transfers and subsidies | 37,959 | - | - | 37,959 | 37,959 | - | 100% | 28,146 | 28,146 |
| **2.9 PARLIAMENTARY VILLAGE** | | | | | | | | | |
| Transfers and subsidies | 8,198 | - | - | 8,198 | 8,198 | - | 100% | 7,771 | 7,771 |
| **2.10 AUGMENTATION OF THE PROPERTY MANAGEMENT** | | | | | | | | | |
| Transfers and subsidies | 682,426 | - | - | 682,426 | 682,426 | - | 100% | 646,849 | 646,849 |
| **2.11 INDEPENDENT DEVELOPMENT TRUST** | | | | | | | | | |
| Transfers and subsidies | 50,000 | - | 50,000 | 100,000 | 100,000 | - | 100% | 50,800 | 50,800 |
| **Total** | **2,981,770** | **-** | **(14,138)** | **2,967,632** | **2,862,229** | **105,403** | **96.4%** | **5,052,937** | **4,563,501** |

# Appropriation Statement

## for the year ended 31 March 2014

| Programme 3 Per Economic classification | 2013/14 Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | 2012/13 Final Appropriation | Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| **Current payments** | | | | | | | | | |
| Compensation of employees | 111,002 | (2,692) | - | 108,310 | 108,310 | - | 100% | 102,481 | 100,901 |
| Goods and services | 170,137 | 2,692 | (10,692) | 162,137 | 161,947 | 190 | 99.9% | 166,376 | 143,453 |
| Interest and rent on land | - | - | - | - | - | - | - | 86 | - |
| **Transfers and subsidies** | | | | | | | | | |
| Provinces and municipalities | 1,225,752 | - | - | 1,225,752 | 1,221,441 | 4,311 | 99.6% | 1,172,297 | 1,171,779 |
| Non-profit institutions | 438,281 | - | - | 438,281 | 438,281 | - | 100% | 282,724 | 282,724 |
| Households | 175 | - | - | 175 | 173 | 2 | 98.9% | 83 | 83 |
| **Payment for capital assets** | | | | | | | | | |
| Machinery and equipment | 2,622 | - | - | 2,622 | 1,538 | 1,084 | 58.7% | 1,827 | 1,913 |
| **Payments for financial assets** | - | - | - | - | - | - | - | 3,198 | 3,198 |
| **Total** | **1,947,969** | **-** | **(10,692)** | **1,937,277** | **1,931,690** | **5,587** | **99.7%** | **1,729,072** | **1,704,051** |

# Appropriation Statement

for the year ended 31 March 2014

| Detail per sub-programme | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 3.1 EXPANDED PUBLIC WORKS PROGRAMME | | | | | | | | | |
| Current payment | 270,970 | - | (10,692) | 260,278 | 260,088 | 190 | 99.9% | 259,304 | 234,765 |
| Transfers and subsidies | 175 | - | - | 175 | 173 | 2 | 98.9% | 83 | 83 |
| Payment for capital assets | 2,622 | - | - | 2,622 | 1,538 | 1,084 | 58.7% | 1,827 | 1,913 |
| Payment for financial assets | - | - | - | - | - | - | - | 3,198 | 3,198 |
| 3.2 PERFOMANCE BASE INCENTIVE ALLOWANCE | | | | | | | | | |
| Current payment | 10,169 | - | - | 10,169 | 10,169 | - | 100% | 9,639 | 9,589 |
| Transfers and subsidies | 1,664,033 | - | - | 1,664,033 | 1,659,722 | 4,311 | 99.7% | 1,455,021 | 1,454,503 |
| **Total** | **1,947,969** | **-** | **(10,692)** | **1,937,277** | **1,931,690** | **5,587** | **99.7%** | **1,729,072** | **1,704,051** |

# Appropriation Statement

## for the year ended 31 March 2014

| Programme 4 Per Economic classification | 2013/14 Adjusted Appropriation | 2013/14 Shifting of Funds | 2013/14 Virement | 2013/14 Final Appropriation | 2013/14 Actual Expenditure | 2013/14 Variance | 2013/14 Expenditure as % of final appropriation | 2012/13 Final Appropriation | 2012/13 Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| **Current payments** | | | | | | | | | |
| Compensation of employees | 10,811 | - | - | 10,811 | 8,556 | 2,255 | 79.1% | 12,614 | 7,916 |
| Goods and services | 25,546 | - | - | 25,546 | 13,724 | 11,822 | 53.7% | 24,660 | 8,935 |
| Interest and rent on land | - | - | - | - | - | - | - | 35 | - |
| **Transfers and subsidies** | | | | | | | | | |
| Non-profit institutions | - | - | - | - | 10,398 | (10,398) | - | - | 9,903 |
| Households | 200 | - | - | 200 | 32 | 168 | 16% | 3 | 3 |
| **Payment for capital assets** | | | | | | | | | |
| Machinery and equipment | 125 | - | - | 125 | 48 | 77 | 38.4% | 124 | 101 |
| **Total** | **36,682** | **-** | **-** | **36,682** | **32,758** | **3,924** | **89.3%** | **37,436** | **26,858** |

# Appropriation Statement

for the year ended 31 March 2014

| Detail per sub-programme | 2013/14 Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | 2012/13 Final Appropriation | Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 4.1 CONSTRUCTION INDUSTRY DEVELOPMENT PROGRAMME | | | | | | | | | |
| Current payment | 19,734 | - | - | 19,734 | 8,659 | 11,075 | 43.9% | 20,896 | 7,997 |
| Transfers and subsidies | 100 | - | - | 100 | 10,399 | (10,299) | 10399,0% | 3 | 9,906 |
| Payment for capital assets | 114 | (12) | - | 102 | 25 | 77 | 24.5% | 76 | 50 |
| 4.2 PROPERTY INDUSTRY DEVELOPMENT PROGRAMME | | | | | | | | | |
| Current payment | 16,623 | - | - | 16,623 | 13,622 | 3,001 | 81.9% | 16,413 | 8,854 |
| Transfers and subsidies | 100 | - | - | 100 | 30 | 70 | 30% | - | - |
| Payment for capital assets | 11 | 12 | - | 23 | 23 | - | 100% | 48 | 51 |
| **Total** | **36,682** | **-** | **-** | **36,682** | **32,758** | **3,924** | **89.3%** | **37,436** | **26,858** |

# Appropriation Statement

for the year ended 31 March 2014

| Programme 5 Per Economic classification | 2013/14 | | | | | | | 2012/13 | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| **Current payments** | | | | | | | | | |
| Goods and services | 27,417 | - | 50,486 | 77,903 | 77,903 | - | 100% | 45,291 | 36,634 |
| **Transfers and subsidies** | | | | | | | | | |
| Departmental agencies and accounts | 2,750 | - | - | 2,750 | 1,468 | 1,282 | 53.4% | 2,606 | 1,260 |
| Foreign governments and international organisations | 20,510 | - | - | 20,510 | 17,555 | 2,955 | 85.6% | 18,941 | 15,436 |
| Households | 1 | - | - | 1 | - | 1 | - | 1 | - |
| **Total** | **50,678** | **-** | **50,486** | **101,164** | **96,926** | **4,238** | **96%** | **66,839** | **53,330** |

# Appropriation Statement

for the year ended 31 March 2014

| Detail per sub-programme | Adjusted Appropriation | Shifting of Funds | Virement | Final Appropriation | Actual Expenditure | Variance | Expenditure as % of final appropriation | Final Appropriation | Actual expenditure |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | | | | | | | 2012/13 | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| 5.1 COMPENSATION FOR LOSSES | | | | | | | | | |
| Current payment | 284 | (284) | - | - | - | - | - | 2,165 | - |
| 5.2 DISTRESS RELIEF | | | | | | | | | |
| Current payment | 1 | (1) | - | - | - | - | - | 1 | - |
| 5.3 LOSKOP SETTLEMENT | | | | | | | | | |
| Transfers and subsidies | 1 | - | - | 1 | - | 1 | - | 1 | - |
| 5.4 ASSISTANCE TO ORGANISATIONS FOR PRESERVATION OF NATIONAL MEMORIALS | | | | | | | | | |
| Transfers and subsidies | 20,510 | - | - | 20,510 | 17,555 | 2,955 | 85.6% | 18,941 | 15,436 |
| 5.5 STATE FUNCTIONS | | | | | | | | | |
| Current payment | 27,132 | 285 | 50,486 | 77,903 | 77,903 | - | 100% | 43,125 | 36,634 |
| 5.6 SECTOR EDUCATION AND TRAINING AUTHORITY | | | | | | | | | |
| Transfers and subsidies | 2,750 | - | - | 2,750 | 1,468 | 1,282 | 53.4% | 2,606 | 1,260 |
| **Total** | **50,678** | **-** | **50,486** | **101,164** | **96,926** | **4,238** | **95.8%** | **66,839** | **53,330** |

# Appropriation Statement

for the year ended 31 March 2014

## 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, notes 7 and Annexure 1 (A-I) 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 note 6 (Payments for financial assets) to the Annual Financial Statements.

## 4. EXPLANATIONS OF MATERIAL VARIANCES FROM AMOUNTS VOTED (AFTER VIREMENT):

| 4.1 PER PROGRAMME | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|---|---|---|---|---|
| **Administration** | 1,132,506 | 1,099,051 | 33,455 | 3% |

Expenditure variance of 3% in Programme 1 is due to under-spending of R6.9 million on compensation of employees, R8.2 million on goods and services, and R18 million on payments for capital assets. Compensation of employees under-spending resulted from funds reprioritised for the filling of posts, grading of positions and anticipated performance bonuses. These vacant positions could not be filled before the end of the financial year. Goods and services for Office Accommodations were also underspent for municipal services and accommodation charges. Machinery and equipment under-spending relate to funds prioritised for the procurement of computers. However, invoices were received late and were also defective and payment could therefore not be processed before the end of the financial year. This financial obligation has been disclosed as an accrual in the financial statements.

| | | | | |
|---|---|---|---|---|
| **Immovable Asset Management** | 2,967,632 | 2,862,229 | 105,403 | 4% |

Expenditure variance of 4% in Programme 2 is due to under-spending of R27.4 million on goods and services, R58.8 million on buildings and other fixed structures and R19 million on machinery and equipment. Goods and services under-spending relate to funds reprioritised for Immovable Asset Register project under the Turnaround Intervention. These funds for the Immovable Asset Register have been requested as a roll over to the 2014/15 financial year. The roll over request is due to the project being committed towards the latter part of the financial year. Buildings and other fixed structures constitute under-spending due to delays in implementing infrastructure projects. Machinery and equipment under-spending is due to changes in the procurement processes which delayed ordering and delivery of furniture to the Department.

| | | | | |
|---|---|---|---|---|
| **Expanded Public Works Programme** | 1,937,277 | 1,931,690 | 5,587 | 0,3% |

Expenditure variance of 0.3% in Programme 3 is due to under-spending of R4.3 million on transfers and subsidies and R1 million on machinery and equipment. Transfers and subsidies under-spending relate to transfer payments to Provinces for EPWP Integrated and Incentive Grants. Funds were withheld for provinces due to non-compliance to the Division of Revenue Act by the provinces. Machinery and equipment under-spending is directly linked to tools of trade not acquired due to vacant positions not filled.

# Appropriation Statement

## for the year ended 31 March 2014

| 4.1 PER PROGRAMME | Final Appropriation | Actual Expenditure | Variance R'000 | Variance as a % of Final Appropriation |
|---|---|---|---|---|
| **Property and Construction Industry Policy Regulations** | 36,682 | 32,758 | 3,924 | 11% |

Expenditure variance of 11% in Programme 4 is due to under-spending on compensation of employees and goods and services. Compensation of employees under-spending is due to delay in filling of vacant positions. Goods and services under-spending of R11.8 million include R10.4 million budget transfers made to Agrèment SA which is paid under transfers and subsidies. The expenditure for Agrèment SA under transfers and subsidies is classified as irregular expenditure as the allocation under goods and services was utilised.

| | | | | |
|---|---|---|---|---|
| **Auxiliary and Associated Services** | 101,164 | 96,926 | 4,238 | 4% |

Expenditure variance of 4% in Programme 5 is due to under-spending R4.2 million on transfers and subsidies for Commonwealth War Graves Commission and Construction Education Training Authority. The under spending for the Commonwealth War Graves is due to lower than anticipated currency movement between South African Rand and United Kingdom Pound. Under spending for Construction Education Training Authority is linked to compensation of employees' budget allocation.

| 4.2 PER ECONOMIC CLASSIFICATION | Final Appropriation | Actual Expenditure | Variance | Variance as a % of Final Appropriation |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | |
| **Current payments** | | | | |
| Compensation of employees | 1,480,628 | 1,471,497 | 9,131 | 0.6% |
| Goods and services | 1,363,305 | 1,315,755 | 47,550 | 3.5% |
| **Transfers and subsidies** | | | | |
| Provinces and municipalities | 1,225,778 | 1,221,445 | 4,333 | 0.4% |
| Departmental agencies and accounts | 803,694 | 802,412 | 1,282 | 0.2% |
| Public corporations and private enterprises | 100,000 | 100,000 | - | 0% |
| Foreign governments and international organisations | 20,510 | 17,555 | 2,955 | 14.4% |
| Non-profit institutions | 438,281 | 448,679 | (10,398) | -2.4% |
| Households | 6,925 | 6,463 | 462 | 6.7% |
| **Payments for capital assets** | | | | |
| Buildings and other fixed structures | 626,206 | 567,365 | 58,841 | 9.4% |
| Machinery and equipment | 85,676 | 47,511 | 38,165 | 44.5% |
| Software and other intangible assets | 16,470 | 16,184 | 286 | 1.7% |
| **Payments for financial assets** | 7,788 | 7,788 | - | 0% |

Expenditure variance is due to under-spending of R9.1 million on compensation of employees, R47.6 million on goods and services, R58.8 million on buildings and other fixed structures and R38.1 million on machinery and equipment. Compensation of employees under-spending resulted from funds reprioritised for the filling of posts identified as critical but could not be filled before the end of the financial year, grading of positions and anticipated performance bonuses.

# Appropriation Statement

## for the year ended 31 March 2014

Goods and services under-spending relates to Office Accommodation and funds that was reprioritised for the Immovable Asset Register project under the Turnaround Intervention.

These funds for the Immovable Asset Register have been requested as a roll over to the 2014/15 financial year. The roll over request is due to the project being committed towards the latter part of the financial year. Agrèment SA was paid under transfers and subsidies, which had to be classified as irregular expenditure as the budget allocation is under goods and services. Transfers and subsidies under-spending relate to funds withheld for provinces due to non-compliance to the Division of the Revenue Act by the provinces and lower than expected currency movement between the South African Rand and United Kingdom Pound in regards to the payment for the Commonwealth War Graves. Infrastructure under-spending is due to the delay in implementing of the infrastructure projects.

Machinery and equipment under-spending is due to changes in the procurement process as well as invoices being received late and were also defective and payment could not be processed before the end of the financial year.

| 4.3 PER CONDITIONAL GRANT | Final Appropriation | Actual Expenditure | Variance | Variance as a % of Final Appropriation |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | |
| EPWP Integrated Grant for Municipalities | 611,274 | 611,274 | - | 0% |
| EPWP Integrated Grant for Provinces | 356,914 | 354,214 | 2,700 | 0.8% |
| Social Sector EPWP Incentive Grant for Provinces | 257,564 | 255,953 | 1,611 | 0.6% |

Conditional grant under-spent by R4.3 million relates to transfer payments to Provinces for EPWP Integrated Grant and Social Sector Incentive Grant. Funds were withheld for Provinces due to non-compliance to the Division of Revenue Act by the Provinces.

# Statement of Financial Performance

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **REVENUE** | | | |
| Annual appropriation | 1 | 6,175,261 | 7,891,248 |
| Departmental revenue | 2 | 55,470 | 53,795 |
| **TOTAL REVENUE** | | **6,230,731** | **7,945,043** |
| **EXPENDITURE** | | | |
| **Current expenditure** | | | |
| Compensation of employees | 3 | 1,471,497 | 1,379,272 |
| Goods and services | 4 | 1,315,755 | 972,294 |
| Interest and rent on land | 5 | - | 21 |
| **Total current expenditure** | | **2,787,252** | **2,351,587** |
| **Transfers and subsidies** | | | |
| Transfers and subsidies | 7 | 2,596,554 | 4,092,353 |
| **Total transfers and subsidies** | | **2,596,554** | **4,092,353** |
| **Expenditure for capital assets** | | | |
| Tangible capital assets | 8 | 614,876 | 756,286 |
| Software and other intangible assets | 8 | 16,184 | 501 |
| **Total expenditure for capital assets** | | **631,060** | **756,787** |
| **Payments for financial assets** | 6 | 7,788 | 3,198 |
| **TOTAL EXPENDITURE** | | **6,022,654** | **7,203,925** |
| **SURPLUS FOR THE YEAR** | | **208,077** | **741,118** |
| **Reconciliation of Net Surplus for the year** | | | |
| Voted funds | | 152,607 | 687,323 |
| Annual appropriation | | 152,607 | 687,323 |
| Departmental revenue and NRF Receipts | 14 | 55,470 | 53,795 |
| **SURPLUS FOR THE YEAR** | | **208,077** | **741,118** |

# Statement of Financial Position

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | **362,808** | **986,396** |
| Unauthorised expenditure | 9 | 255,668 | 249,453 |
| Cash and cash equivalents | 10 | 179 | 439,804 |
| Prepayments and advances | 11 | 30,294 | 38,244 |
| Receivables | 12 | 76,667 | 258,895 |
| **TOTAL ASSETS** | | **362,808** | **986,396** |
| **LIABILITIES** | | | |
| **Current liabilities** | | **349,861** | **929,154** |
| Voted funds to be surrendered to the Revenue Fund | 13 | 158,838 | 853,713 |
| Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund | 14 | 46,294 | 9,450 |
| Bank Overdraft | 15 | 98,177 | - |
| Payables | 16 | 46,552 | 65,991 |
| **TOTAL LIABILITIES** | | **349,861** | **929,154** |
| **NET ASSETS** | | **12,947** | **57,242** |
| **Represented by:** | | | |
| Recoverable revenue | | 12,947 | 57,242 |
| **TOTAL** | | **12,947** | **57,242** |

# Statement of Changes in Net Assets

## for the year ended 31 March 2014

| | 2013/14<br>R'000 | 2012/13<br>R'000 |
|---|---|---|
| **Recoverable revenue** | | |
| **Opening balance** | **57,242** | **5,058** |
| Transfers: | **(44,295)** | **52,184** |
| Irrecoverable amounts written off | - | - |
| Debts revised | - | - |
| Debts recovered (included in departmental receipts) | (44,297) | - |
| Debts raised | 2 | 52,184 |
| **Closing balance** | **12,947** | **57,242** |
| | | |
| **TOTAL** | **12,947** | **57,242** |

# Cash Flow Statement

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts | | **6,230,654** | **7,945,043** |
| Annual appropriated funds received | ***1.1*** | 6,175,261 | 7,891,248 |
| Departmental revenue received | ***2.1/2.2/2.5*** | 54,067 | 45,960 |
| Interest received | ***2.3*** | 1,326 | 7,835 |
| | | | |
| Net (increase)/decrease in working capital | | 164,524 | (500,672) |
| Surrendered to Revenue Fund | | (872,323) | (844,800) |
| Current payments | | (2,781,037) | (2,185,195) |
| Interest paid | | - | (21) |
| Payments for financial assets | | (7,788) | (3,198) |
| Transfers and subsidies paid | | (2,596,554) | (4,092,353) |
| **Net cash flow available from operating activities** | ***17*** | **137,476** | **318,804** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for capital assets | ***8*** | (631,060) | (756,787) |
| Proceeds from sale of capital assets | ***2.4*** | 77 | - |
| **Net cash flows from investing activities** | | **(630,983)** | **(756,787)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Increase/(decrease) in net assets | | (44,295) | 52,184 |
| **Net cash flows from financing activities** | | **(44,295)** | **52,184** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | (537,802) | (385,799) |
| | | | |
| Cash and cash equivalents at beginning of period | | 439,804 | 825,603 |
| | | | |
| **Cash and cash equivalents at end of period** | ***18*** | **(97,998)** | **439,804** |

# Accounting Policies

for the year ended 31 March 2014

## 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.

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 exchange rates prevailing at the date of payment/receipt.

### 6 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 2014

## 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.

## 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.

### *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 Accrued expenditure payable*

Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department.

Accrued expenditure payable is measured at cost.

### *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.

# Accounting Policies
for the year ended 31 March 2014

## 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.

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.

## 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. Prepayments are expense when it's part of agreements made in line with industry practise to pay amounts in advance

## 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.

## 13 Investments

Investments are recognised in the statement of financial position at cost.

## 14 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

Loans and receivables are recognised in the statement of financial position at cost.

## 16 Capital Assets

### *16.1 Immovable capital assets*

Immovable capital assets are initially recorded in the notes to the financial statements at cost. Immovable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of immovable capital assets cannot be determined accurately, the immovable capital assets are measured at R1 unless the fair value of the asset has been reliably estimated, in which case the fair value is used.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) are recorded at R1.

Immovable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the immovable asset is recorded by another department in which case the completed project costs are transferred to that department.

### *16.2 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 accurately, 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) are 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 is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

### *16.3 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 accurately, 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) are recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

## 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 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

## 18 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature 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 therefore 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 estimates

Changes in accounting estimates are recorded in the notes to the financial statements where applicable.

## 22 Prior period errors

Changes in accounting estimates are recorded in the notes to the financial statements where applicable

## 23 Non-adjusting events after the reporting date

Events after reporting are recorded in the notes to the financial statements where applicable

# Accounting Policies

for the year ended 31 March 2014

## 24 Agent-Principal arrangements

Agent-Principal arrangements are recorded in the notes to the financial statements where applicable.

## 25 Related party transactions

Specific information with regards to related party transactions is included in the notes.

## 26 Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the notes.

## 27 Public private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the notes.

## 28 Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the notes to the annual financial statements. These receivables are written off, after approval, when an assessment for recovery indicates that it's not recoverable and funds are available. The write off is disclosed separately.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 1. ANNUAL APPROPRIATION

### 1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

| | 2013/14 | | 2012 /13 |
|---|---|---|---|
| | Final Appropriation | Actual Funds Received | Appropriation received |
| | R'000 | R'000 | R'000 |
| Administration | 1,132,506 | 1,132,506 | 1,004,964 |
| Immovable Asset Management | 2,971,940 | 2,967,632 | 5,052,937 |
| Expanded Public Works Programme | 1,932,969 | 1,937,277 | 1,729,072 |
| Property and Construction Industry Policy Regulations | 36,682 | 36,682 | 37,436 |
| Auxiliary and Associated Services | 101,164 | 101,164 | 66,839 |
| | **6,175,261** | **6,175,261** | **7,891,248** |

## 2. DEPARTMENTAL REVENUE

| | *Note* | 2013/14 | 2012/13 |
|---|---|---|---|
| | | R'000 | R'000 |
| Sales of goods and services other than capital assets | ***2.1*** | 3,859 | 32,017 |
| Fines, penalties and forfeits | ***2.2*** | 4 | 3 |
| Interest, dividends and rent on land | ***2.3*** | 1,326 | 7,835 |
| Sales of capital assets | ***2.4*** | 77 | - |
| Transactions in financial assets and liabilities | ***2.5*** | 50,204 | 13,940 |
| **Departmental revenue collected** | | **55,470** | **53,795** |

### 2.1 Sales of goods and services other than capital assets

| | | | |
|---|---|---|---|
| | 2 | | |
| Sales of goods and services produced by the Department | | 3,855 | 32,013 |
| Sales by market establishment | | 490 | 445 |
| Administrative fees | | - | 215 |
| Other sales | | 3,365 | 31,353 |
| Sales of scrap, waste and other used current goods | | 4 | 4 |
| **Total** | | **3,859** | **32,017** |

### 2.2 Fines, penalties and forfeits

| | | | |
|---|---|---|---|
| | 2 | | |
| Fines | | 4 | 3 |
| **Total** | | **4** | **3** |

### 2.3 Interest, dividends and rent on land

| | | | |
|---|---|---|---|
| | 2 | | |
| Interest | | 1,326 | 7,835 |
| **Total** | | **1,326** | **7, 835** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 2. DEPARTMENTAL REVENUE (CONTINUED)

### 2.4 Sale of capital assets

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| | 2 | | |
| **Tangible assets** | | **77** | **-** |
| Machinery and equipment | 30.1 | 77 | - |
| **Total** | | **77** | **-** |

### 2.5 Transactions in financial assets and liabilities

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| | 2 | | |
| Receivables | | 45,806 | 315 |
| Stale cheques written back | | - | 2 |
| Other Receipts including Recoverable Revenue | | 4,398 | 13,623 |
| **Total** | | **50,204** | **13,940** |

## 3. COMPENSATION OF EMPLOYEES

### 3.1 Salaries and Wages

| | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|
| Basic salary | 1,010,719 | 942,960 |
| Performance award | 16,592 | 15,886 |
| Service Based | 3,026 | 1,800 |
| Compensative/circumstantial | 22,217 | 18,683 |
| Periodic payments | 2,406 | 4,606 |
| Other non-pensionable allowances | 221,621 | 208,283 |
| **Total** | **1,276,581** | **1,192,218** |

### 3.2 Social contributions

| | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|
| **Employer contributions** | | |
| Pension | 123,910 | 116,983 |
| Medical | 70,361 | 69,777 |
| UIF | 2 | - |
| Bargaining council | 643 | 294 |
| **Total** | **194,916** | **187,054** |
| | | |
| **Total compensation of employees** | **1,471,497** | **1,379,272** |
| | | |
| Average number of employees | 5,710 | 5,494 |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 4. GOODS AND SERVICES

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Administrative fees | | 650 | 453 |
| Advertising | | 11,945 | 8,637 |
| Minor assets | *4.1* | 4,769 | 2,698 |
| Bursaries (employees) | | 1,572 | - |
| Catering | | 3,536 | 2,662 |
| Communication | | 25,595 | 31,628 |
| Computer services | *4.2* | 24,764 | 36,677 |
| Consultants, contractors and agency/outsourced services | *4.3* | 507,858 | 268,710 |
| Entertainment | | 720 | 795 |
| Audit cost – external | *4.4* | 58,594 | 48,374 |
| Fleet services | | 17,630 | 21,430 |
| Inventory | *4.5* | 12,800 | 10,221 |
| Consumables | *4.6* | 22,942 | 30,500 |
| Operating leases | | 247,586 | 139,175 |
| Property payments | *4.7* | 254,261 | 257,587 |
| Rental and hiring | | 608 | 2,883 |
| Travel and subsistence | *4.8* | 95,021 | 86,346 |
| Venues and facilities | | 8,684 | 7,761 |
| Training and staff development | | 7,130 | 9,653 |
| Other operating expenditure | *4.9* | 9,090 | 6,104 |
| **Total** | | **1,315,755** | **972,294** |

### *4.1 Minor assets*

| | | |
|---|---|---|
| **Tangible assets** | **4,769** | **2,698** |
| Machinery and equipment | 4,769 | 2,698 |
| **Total** | **4,769** | **2,698** |

### *4.2 Computer services*

| | | |
|---|---|---|
| SITA computer services | 8,722 | 22,172 |
| External computer service providers | 16,042 | 14,505 |
| **Total** | **24,764** | **36,677** |

### *4.3 Consultants, contractors and agency/outsourced services*

| | | |
|---|---|---|
| Business and advisory services | 169,405 | 78,125 |
| Infrastructure and planning | 18,226 | 11,059 |
| Legal costs | 18,378 | 13,822 |
| Contractors | 100,738 | 49,657 |
| Agency and support/outsourced services | 201,111 | 116,047 |
| **Total** | **507,858** | **268,710** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 4. GOODS AND SERVICES (CONTINUED)

### 4.4 Audit cost - External

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Regularity audits | | 58,594 | 48,374 |
| **Total** | | **58,594** | **48,374** |

### 4.5 Inventory

| | | | |
|---|---|---|---|
| Clothing material and accessories | | 4,235 | - |
| Fuel, oil and gas | | 7,570 | 9,105 |
| Materials and supplies | | 995 | 1,111 |
| Medical supplies | | - | 5 |
| **Total** | | **12,800** | **10,221** |

### 4.6 Consumables

| | | | |
|---|---|---|---|
| Consumable supplies | | **11,998** | **14,943** |
| Uniform and clothing | | 119 | - |
| Household supplies | | 9,124 | - |
| Building material and supplies | | 32 | - |
| Communication accessories | | 75 | - |
| IT consumables | | 2,258 | - |
| Other consumables | | 390 | 14,943 |
| Stationery, printing and office supplies | | 10,944 | 15,557 |
| **Total** | | **22,942** | **30,500** |

**Comparative figure**

Other consumables and stationery and printing have been restated from inventory in the prior year and reclassified under consumables.

### 4.7 Property payments

| | | | |
|---|---|---|---|
| | *4* | | |
| Municipal services | | 236,265 | 251,267 |
| Property management fees | | 11,811 | 2,601 |
| Other | | 6,185 | 3,719 |
| **Total** | | **254,261** | **257,587** |

### 4.8 Travel and subsistence

| | | | |
|---|---|---|---|
| Local | | 94,513 | 85,458 |
| Foreign | | 508 | 888 |
| **Total** | | **95,021** | **86,346** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 4. GOODS AND SERVICES (CONTINUED)

### 4.9 *Other operating expenditure*

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Professional bodies, membership and subscription fees | | 1,981 | 1,701 |
| Resettlement costs | | 667 | 770 |
| Other | | 6,442 | 3,633 |
| **Total** | | **9,090** | **6,104** |

## 5. INTEREST AND RENT ON LAND

| | | | |
|---|---|---|---|
| Interest paid | | - | 21 |
| **Total** | | **-** | **21** |

## 6. PAYMENTS FOR FINANCIAL ASSETS

| | | | |
|---|---|---|---|
| Other material losses written off | *6.1* | 7,788 | 3,198 |
| **Total** | | **7,788** | **3,198** |

### 6.1 *Other material losses written off*

| | | |
|---|---|---|
| **Nature of losses** | | |
| Claims recoverable | 9 | 281 |
| Recoverable expenditure | 7,496 | 2,890 |
| Prepayments | 283 | 27 |
| **Total** | **7,788** | **3,198** |

## 7. TRANSFERS AND SUBSIDIES

| | | | |
|---|---|---|---|
| Provinces and municipalities | *36, Annex 1A, Annex 1B* | 1,221,445 | 2,969,955 |
| Departmental agencies and accounts | *Annex 1C* | 802,412 | 751,640 |
| Foreign governments and international organisations | *Annex 1E* | 17,555 | 15,436 |
| Public corporations and private enterprises | *Annex 1D* | 100,000 | 50,800 |
| Non-profit institutions | *Annex 1F* | 448,679 | 292,627 |
| Households | *Annex 1G* | 6,463 | 11,875 |
| Gifts, donations and sponsorships made | *Annex 1I* | - | 20 |
| **Total** | | **2,596,554** | **4,092,353** |
| | | | |
| Unspent funds transferred to the above beneficiaries | | **221,887** | **283,509** |

## 8. EXPENDITURE FOR CAPITAL ASSETS

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **Tangible assets** | | **614,876** | **756,286** |
| Buildings and other fixed structures | *32.1* | 567,365 | 713,003 |
| Machinery and equipment | *30.1* | 47,511 | 43,283 |
| | | | |
| **Software and other intangible assets** | | **16,184** | **501** |
| Computer software | *31.1* | 16,184 | 501 |
| | | | |
| **Total** | | **631,060** | **756,787** |
| | | | |
| The following amounts have been included as project costs in expenditure for capital assets | | | |
| Goods and services | | 218 | 609 |
| **Total** | | **218** | **609** |

The Department entered into an arrangement with IDT for construction of selected strategic projects. The department pays 3.5% project fees to IDT for the construction.

### *8.1 Analysis of funds utilised to acquire capital assets - 2013/14*

| | Voted funds R'000 | Aid assistance R'000 | Total R'000 |
|---|---|---|---|
| **Tangible assets** | **614,876** | **-** | **614,876** |
| Buildings and other fixed structures | 567,365 | - | 567,365 |
| Machinery and equipment | 47,511 | - | 47,511 |
| | | | |
| **Software and other intangible assets** | **16,184** | **-** | **16,184** |
| Computer software | 16,184 | - | 16,184 |
| | | | |
| **Total** | **631,060** | **-** | **631,060** |

### *8.2 Analysis of funds utilised to acquire capital assets - 2012/13*

| | Voted funds R'000 | Aid assistance R'000 | Total R'000 |
|---|---|---|---|
| **Tangible assets** | **756,286** | **-** | **756,286** |
| Buildings and other fixed structures | 713,003 | - | 713,003 |
| Machinery and equipment | 43,283 | - | 43,283 |
| | | | |
| **Software and other intangible assets** | **501** | **-** | **501** |
| Computer software | 501 | - | 501 |
| | | | |
| **Total** | **756,787** | **-** | **756,787** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 8. EXPENDITURE FOR CAPITAL ASSETS (CONTINUED)

### *8.3 Finance lease expenditure included in expenditure for capital assets*

| | 2013/14<br>R'000 |
|---|---|
| **Tangible assets** | **12,042** |
| Machinery and equipment | 12,042 |
| Intangible assets | 652 |
| **Total** | **12,694** |

## 9. UNAUTHORISED EXPENDITURE

### *9.1 Reconciliation of unauthorised expenditure*

| | Note | 2013/14<br>R'000 | 2012/13<br>R'000 |
|---|---|---|---|
| Opening balance | | 249, 453 | 83,082 |
| Unauthorised expenditure – discovered in current year | 13 | 6,215 | 166,371 |
| **Unauthorised expenditure awaiting authorisation/written off** | | **255,668** | **249,453** |

### *9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification*

| | 2013/14 | 2012/13 |
|---|---|---|
| Current | 80,755 | 80,755 |
| Capital | 172,586 | 166,371 |
| Transfers and subsidies | 2,327 | 2,327 |
| **Total** | **255,668** | **249,453** |

### *9.3 Analysis of unauthorised expenditure awaiting authorisation per type*

| | 2013/14 | 2012/13 |
|---|---|---|
| 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 a main division | 172,586 | 166,371 |
| **Total** | **255,668** | **249,453** |

### *9.4 Details of unauthorised expenditure - current year*

| Incident | Disciplinary steps taken/criminal proceedings | 2013/14<br>R'000 |
|---|---|---|
| Unauthorised expenditure is as a result of capital expenditure incurred by IDT to build schools which is a provincial competency | | 6,215 |
| **Total** | | **6,215** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 9. UNAUTHORISED EXPENDITURE (CONTINUED)

### 9.5 Details of unauthorised expenditure - prior years

| Incident | Disciplinary steps taken/criminal proceedings | 2012/13 |
|---|---|---|
| | | R'000 |
| Overspending on compensation of employees | | 67,135 |
| Overspending on goods and services | | 13,620 |
| Unauthorised expenditure is as a result of capital expenditure incurred by IDT to build schools which is a provincial competency | | 162,386 |
| Overspending on capital assets by IDT | | 3,985 |
| Overspending on transfers and subsidies | | 2,327 |
| **Total** | | **249,453** |

## 10. CASH AND CASH EQUIVALENTS

| | *Note* | 2013/14 | 2012/13 |
|---|---|---|---|
| | | R'000 | R'000 |
| Consolidated Paymaster General Account | | - | 431,281 |
| Cash receipts | | - | 8,338 |
| Disbursements | | - | 6 |
| Cash on hand | | 179 | 179 |
| **Total** | | **179** | **439,804** |

## 11. PREPAYMENTS AND ADVANCES

| | | | |
|---|---|---|---|
| Staff advances | | - | 1 |
| Travel and subsistence | | 110 | 140 |
| Prepayments | | 2,040 | 10,455 |
| Advances paid to other entities | ***11.1*** | 28,144 | 27,648 |
| **Total** | | **30,294** | **38,244** |

### 11.1 Advances paid

| | | | |
|---|---|---|---|
| | ***11*** | | |
| Public entities | ***Annex 7A*** | 16,261 | 27,648 |
| Other entities | ***Annex 7A*** | 11,883 | - |
| **Total** | | **28,144** | **27,648** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 12. RECEIVABLES

| | Note | 2013/14 | | | | 2012/13 |
|---|---|---|---|---|---|---|
| | | R'000 | R'000 | R'000 | R'000 | R'000 |
| | | Less than one year | One to three years | Older than three years | Total | Total |
| Claims recoverable | 12.1 Annex 3 | 6,841 | 1 | 906 | 7,748 | 188,668 |
| Recoverable expenditure | 12.2 | 1,593 | 1,591 | 42,033 | 45,217 | 49,180 |
| Staff debt | 12.3 | 1,424 | 1,198 | 2,068 | 4,690 | 4,537 |
| Other debtors | 12.4 | 2,493 | 7,016 | 9,501 | 19,010 | 16,510 |
| Fruitless and wasteful expenditure | 12.5 | 2 | - | - | 2 | - |
| **Total** | | **12,353** | **9,806** | **54,508** | **76,667** | **258,895** |

### 12.1 Claims recoverable

| | Note | 2013/14 | 2012/13 |
|---|---|---|---|
| | | R'000 | R'000 |
| National departments | 12 | 7,665 | 63,124 |
| Provincial departments | | 83 | 125,544 |
| **Total** | | **7,748** | **188,668** |

### 12.2 Recoverable expenditure (disallowance accounts)

| | Note | 2013/14 | 2012/13 |
|---|---|---|---|
| Disallowance | 12 | 44,231 | 48,021 |
| Private Telephone | | 10 | 45 |
| Salary Accounts | | 976 | 1,114 |
| **Total** | | **45,217** | **49,180** |

### 12.3 Staff debt

| | Note | 2013/14 | 2012/13 |
|---|---|---|---|
| Personnel debt | 12 | 4,690 | 4,537 |
| **Total** | | **4,690** | **4,537** |

### 12.4 Other debtors

| | Note | 2013/14 | 2012/13 |
|---|---|---|---|
| Other Debtors | 12 | 19,010 | 16,510 |
| **Total** | | **19,010** | **16,510** |

### 12.5 Fruitless and wasteful expenditure

| | Note | 2013/14 | 2012/13 |
|---|---|---|---|
| Opening Balance | | - | - |
| Less amounts written off | | (92) | - |
| Transfers from note 26 Fruitless and wasteful expenditure | 12 | 94 | - |
| **Total** | | **2** | **-** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 12. RECEIVABLES (CONTINUED)

### 12.6 Impairment of receivables

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Estimate of impairment of receivables | 12 | 51,453 | 57,479 |
| **Total** | | **51,453** | **57,479** |

## 13. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Opening balance | | 853,713 | 792,914 |
| Transfer from statement of financial performance | | 152,607 | 687,323 |
| Add: Unauthorised expenditure for current year | 9 | 6,215 | 166,371 |
| Paid during the year | | (853,697) | (792,895) |
| **Closing balance** | | **158,838** | **853,713** |

## 14. DEPARTMENTAL REVENUE AND NRF RECEIPTS TO BE SURRENDERED TO THE REVENUE FUND

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Opening balance | | 9,450 | 7,560 |
| Transfer from Statement of Financial Performance | 2 | 55,470 | 53,795 |
| Paid during the year | | (18,626) | (51,905) |
| **Closing balance** | | **46,294** | **9,450** |

## 15. BANK OVERDRAFT

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Consolidated Paymaster General Account | 18 | 98,177 | - |
| | | **98,177** | **-** |

## 16. PAYABLES – CURRENT

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Advances received | 16.1 | 44,117 | 57,480 |
| Clearing accounts | 16.2 | 1,791 | 491 |
| Other payables | 16.3 | 644 | 8,020 |
| **Total** | | **46,552** | **65,991** |

### 16.1 Advances received

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| | 16 | | |
| National departments | Annex 7B | 34,217 | 46,806 |
| Provincial departments | Annex 7B | 9,900 | 10,000 |
| Public entities | Annex 7B | - | 674 |
| **Total** | | **44,117** | **57,480** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 16. PAYABLES – CURRENT (CONTINUED)

### 16.2 Clearing accounts

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Salary clearing accounts | 16 | 1,791 | 491 |
| **Total** | | **1,791** | **491** |

### 16.3 Other payables

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Claims and other payables | 16 | 644 | 7,743 |
| Tender deposit | | - | 269 |
| Rental Deposit | | - | 8 |
| **Total** | | **644** | **8,020** |

## 17. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

| | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|
| Net surplus as per Statement of Financial Performance | 208,077 | 741,118 |
| Add back non cash/cash movements not deemed operating activities | (70,601) | (422,314) |
| (Increase)/decrease in receivables – current | 182,228 | (113,156) |
| (Increase)/decrease in prepayments and advances | 7,950 | 356 |
| Increase/(decrease) in payables – current | (19,439) | (221,501) |
| Proceeds from sale of capital assets | (77) | - |
| Expenditure on capital assets | 631,060 | 756,787 |
| Surrenders to Revenue Fund | (872,323) | (844,800) |
| **Net cash flow generated by operating activities** | **137,476** | **318,804** |

## 18. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES

| | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|
| Consolidated Paymaster General account | (98,177) | 431,281 |
| Cash Receipts | - | 8,338 |
| Disbursements | - | 6 |
| Cash on hand | 179 | 179 |
| **Total** | **(97,998)** | **439,804** |

## 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### 19.1 Contingent liabilities

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **Liable to:** | | | |
| Housing loan guarantees employees | *Annex 2A* | 63 | 521 |
| Other guarantees | *Annex 2A* | - | 1,766 |
| Claims against the department | *Annex 2B* | 366 | 12,634 |
| Other departments (interdepartmental unconfirmed balances) | *Annex 4* | - | 6,531 |
| **Total** | | **429** | **21,452** |

## 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

The Department provided housing guarantees for employees in the prior years to financial institutions providing bond finance. The amount of the guarantee is limited to the amount provided as security, however the timing of security is unknown. The Department is entitled to recover the funds from the employee should the banks call on the guarantee.

Claims against the Department relate to legal proceedings that are brought against the Department. There is no possibility of reimbursement. Both the timing and final amount of judgement, if applicable, is unknown.

### *19.2 Contingent assets*

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **Liable from** | | | |
| Fraud against the department | | 111 | - |
| **Total** | | **111** | **-** |

## 20. COMMITMENT

| | | |
|---|---|---|
| **Current expenditure** | | |
| Approved and contracted | 287,145 | 237,050 |
| Approved but not yet contracted | 18,997 | 2,855 |
| | **306,142** | **239,905** |
| **Capital expenditure** | | |
| Approved and contracted | 610,845 | 451,099 |
| Approved but not yet contracted | 17 | 4,695 |
| | **610,862** | **455,794** |
| **Total Commitments** | **917,004** | **695,699** |

Included in the amount of commitments are projects which the Department must pay the PMTE, most of these projects are multi-year projects. The reduction in commitments is a result of the project undertaken to verify and clean up all projects within the WCS system.

The prior year balance has been restated. Refer to Note 34 on prior period errors for further information on the error.

## 21. ACCRUALS

**Listed by economic classification**

| | 30 Days | 30+ Days | Total | Total |
|---|---|---|---|---|
| Goods and services | 50,758 | 2,585 | 53,343 | 66,271 |
| Interest and rent on land | - | - | - | 714 |
| Transfers and subsidies | 279 | 52 | 331 | 169 |
| Capital assets | 13,864 | - | 13,864 | 52,879 |
| Other | 57 | 43 | 100 | 38 |
| **Total** | **64,958** | **2,680** | **67,638** | **120,071** |

| | | |
|---|---|---|
| **Listed by programme level** | | |
| Programme 1 | 38,726 | 18,579 |
| Programme 2 | 21,816 | 84,094 |
| Programme 3 | 6,066 | 16,291 |
| Programme 4 | 930 | - |
| Programme 5 | 100 | 1,107 |
| **Total** | **67,638** | **120,071** |

## 21. ACCRUALS (CONTINUED)

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Confirmed balances with other departments | *Annex 4* | 5,303 | 6,840 |
| Confirmed balances with other government entities | *Annex 4* | 103,370 | 82,914 |
| **Total** | | **108,673** | **89,754** |

Material accruals relate to capital movable assets, consulting fees, telecommunication charges, staff payments as well as project payments to PMTE.

## 22. EMPLOYEE BENEFITS

| | | |
|---|---|---|
| Leave entitlement | 52,949 | 56,342 |
| Service bonus (Thirteenth cheque) | 37,933 | 36,888 |
| Performance awards | 22,219 | 18,734 |
| Capped leave commitments | 69,453 | 69,910 |
| Other | 1,538 | 4,217 |
| **Total** | **184,092** | **186,091** |

The R53 million (2012/13 R56 million) leave entitlement represents the debit amounts. There are also credit amounts amounting to R3 million (2012/13 R2 million) excluded from the balance. The leave credits are caused by leave advances, which are not accrued in the public service but are advances to employees.

## 23. LEASE COMMITMENTS

### *23.1 Operating leases expenditure*

| 2013/14 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | 78,581 | 197 | 78,778 |
| Later than 1 year and not later than 5 years | - | - | 165,676 | - | 165,676 |
| Later than five years | - | - | 138,255 | - | 138,255 |
| **Total lease commitments** | **-** | **-** | **382,512** | **197** | **382,709** |

| 2012/13 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | 43,997 | - | 43,997 |
| Later than 1 year and not later than 5 years | - | - | 33,702 | - | 33,702 |
| Later than five years | - | - | 827 | - | 827 |
| **Total lease commitments** | **-** | **-** | **78,526** | **-** | **78,526** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 23. LEASE COMMITMENTS (CONTINUED)

The department leases buildings from PMTE for office accommodation across all the regional offices. The leases are acquired at market related terms. The terms of the lease range between 1 month and 10 years and the escalations per period are for a maximum of 10%.

**Comparative figure**

The prior year balance has been restated. Refer to Note 34 on prior period errors for further information on the error.

### 23.2 *Finance leases expenditure**

| 2013/14 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | - | 6,253 | 6,253 |
| Later than 1 year and not later than 5 years | - | - | - | 3,635 | 3,635 |
| **Total lease commitments** | **-** | **-** | **-** | **9,888** | **9,888** |

| 2012/13 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | - | 8,925 | 8,925 |
| Later than 1 year and not later than 5 years | - | - | - | 5,700 | 5,700 |
| **Total lease commitments** | **-** | **-** | **-** | **14,625** | **14,625** |

*This note excludes leases relating to public private partnership as they are separately disclosed to note number 29.

The department has entered into finance lease arrangement for cell phones and 3G cards for a period of 2 years, as well as lease contracts for photocopy machines for 3 years. All the contracts have no escalation clauses and are procured via tender process on expiry.

### 23.3 *Operating lease revenue*

| 2013/14 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | - | - | - |
| Later than 1 year and not later than 5 years | - | - | - | - | - |
| Later than five years | - | - | - | - | - |
| **Total operating lease revenue receivable** | **-** | **-** | **-** | **-** | |

| 2012/13 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|---|---|---|---|
| Not later than 1 year | - | - | 16,849 | - | 16,849 |
| Later than 1 year and not later than 5 years | - | - | 35,662 | - | 35,662 |
| Later than five years | - | - | 23,125 | - | 23,125 |
| **Total operating lease revenue receivable** | **-** | **-** | **75,636** | **-** | **75,636** |

The Department has transferred the rental debtors' portfolio to PMTE as from 1 April 2013.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 24. ACCRUED DEPARTMENTAL REVENUE

| | 2013/14<br>R'000 | 2012/13<br>R'000 |
|---|---|---|
| Interest, dividends and rent on land | - | 2,373 |
| Sales of goods and services other than capital assets | - | 15,228 |
| **Total** | **-** | **17,601** |

The Department has transferred the rental debtors' portfolio (Lease out) to PMTE as at 1 April 2013.

### *24.1 Analysis of accrued departmental revenue*

| | | |
|---|---|---|
| Opening balance | 17,601 | 17,507 |
| Less: amounts received | (17,601) | (31,453) |
| Add: amounts recognised | - | 31,547 |
| Less: amounts written-off/reversed as irrecoverable | - | - |
| **Closing balance** | **-** | **17,601** |

## 25. IRREGULAR EXPENDITURE

### *25.1 Reconciliation of irregular expenditure*

| | | |
|---|---|---|
| Opening balance | 754,016 | 171,643 |
| Add: Irregular expenditure – relating to prior year | 37,148 | 442,792 |
| Add: Irregular expenditure – relating to current year | 114,904 | 140,528 |
| Less: Amounts condoned | (322,479) | (947) |
| **Irregular expenditure awaiting condonation** | **583,589** | **754,016** |

| **Analysis of awaiting condonation per age classification** | | |
|---|---|---|
| Current year | 60,714 | 139,935 |
| Prior years | 522,875 | 614,081 |
| **Total** | **583,589** | **754,016** |

An amount of R291 million was removed from prior years' balance after revision of these balances to reflect the exclusion of irregular expenditure by the PMTE relating to the Department of Public Works. Potential irregular expenditure amounting to R26.95 million was discovered during the audit process. These transactions will be investigated and appropriate disclosure will be made in 2014/15 if necessary.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 25. IRREGULAR EXPENDITURE (CONTINUED)

### 25.2 Details of irregular expenditure - current year

| Incident | Disciplinary steps taken/criminal proceedings | 2013/14 |
|---|---|---|
| | | R'000 |
| Correct procurement process not followed. | The irregular expenditure is still being investigated by the Department to determine officials liable and condonement | 70,149 |
| Transfer payment not approved by National Treasury | | 10,398 |
| Three quotes not obtained | | 5,784 |
| Tax clearance certificate matters | | 2,545 |
| Irregularities on overtime payments | | 102 |
| Documents for unsuccessful bidders not available | | 25,926 |
| **Total** | | **114,904** |

The irregular expenditure is being investigated by the Department for condonement and to determine officials liable. The Department has bolstered its investigative capacity in February 2014 to assist with appropriate sanctions on all reported cases of irregular expenditure and fruitless and wasteful expenditure. The effect of this exercise will only be visible in the new financial year.

### 25.3 Details of irregular expenditure condoned

| Incident | Condoned by (condoning authority) | 2013/14 |
|---|---|---|
| | | R'000 |
| Approval to deviate from SCM processes not obtained | Accounting Officer | 62 |
| Deviations incorrectly approved | Accounting Officer | 15 |
| Incorrect procurement process followed | Accounting Officer | 113,202 |
| No approval granted to deviate from SCM processes | Accounting Officer | 5,996 |
| SITA engagement model not followed correctly | Accounting Officer | 28,227 |
| Transfer payment not into primary bank account | Accounting Officer | 174,977 |
| **Total** | | **322,478** |

### 25.4 Details of irregular expenditures under investigation

| Incident | 2013/14 |
|---|---|
| | R'000 |
| Procurement processes not followed | 573,191 |
| Transfer payments not approved by National Treasury | 10,398 |
| **Total** | **583,589** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 26. FRUITLESS AND WASTEFUL EXPENDITURE

### 26.1 Reconciliation of fruitless and wasteful expenditure

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Opening balance | | 50,132 | 451 |
| Fruitless and wasteful expenditure – relating to prior year | | - | 45,368 |
| Fruitless and wasteful expenditure – relating to current year | | 130 | 4,313 |
| Less: Amounts resolved | | (380) | - |
| Less: Amounts transferred to receivables for recovery | *12.4* | (94) | - |
| **Fruitless and wasteful expenditure awaiting resolution** | | **49,788** | **50,132** |

The prior year balance has been restated. Refer to Note 34 on prior period errors for further information on the error.

### 26.2 Analysis of awaiting resolution per economic classification

| | | |
|---|---|---|
| Current | 9,414 | 9,758 |
| Capital | 40,374 | 40,374 |
| **Total** | **49,788** | **50,132** |

The prior year analysis has been restated with an amount of R73 million which was removed after the revision of these balances to reflect the exclusion of fruitless and wasteful expenditure incurred by the PMTE relating to NDPW. The prior year current economic classification was increased by R178 thousand and the capital economic classification was reduced by R74,1 million.

### 26.3 Analysis of fruitless and wasteful expenditure - current year

| Incident | Disciplinary steps taken/criminal proceedings | 2013/14 R'000 |
|---|---|---|
| Overcharging of VAT | Under investigation | 9 |
| VAT vendors not registered | Under investigation | 33 |
| Interest on overdue account | Under investigation | 8 |
| Legal costs | Under investigation | 30 |
| Over payment | Under investigation | 50 |
| **Total** | | **130** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 27. RELATED PARTY TRANSACTIONS

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **Revenue received** | | | |
| Sales of goods and services other than capital assets | | - | 42 |
| **Total** | | **-** | **42** |
| | | | |
| **Payments made** | | | |
| Goods and services | | 88,926 | 119,364 |
| Interest and rent on land | | - | 2 |
| Purchases of capital assets | | - | 109 |
| **Total** | | **88,926** | **119,475** |
| | | | |
| **Year end balances arising from revenue/payments** | | | |
| Payables to related parties | | - | 13,210 |
| **Total** | | **-** | **13,210** |
| | | | |
| **Other** | | | |
| Commitments | | 14,785 | 25,305 |
| **Total** | | **14,785** | **25,305** |
| | | | |
| **In kind goods and services provided/receive** | | | |
| Direct cost - Compensation of employees (payments made) | | 585,586 | - |
| Direct cost - Employee benefits | | 89,486 | - |
| Direct cost - Goods and services (accruals & commitments) | | 72,636 | - |
| Municipal services (payments) | | 9,655 | - |
| Municipal services (accruals) | | 676 | - |
| Capital assets payments | | 561,150 | - |
| Cleaning and Gardening services (payments) | | 59,614 | |
| Cleaning and Gardening services (accruals) | | 3,090 | |
| **Total** | | **1,381,893** | **-** |

## 27. RELATED PARTY TRANSACTIONS (CONTINUED)

**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 Board.

To provide transport from and to the parliamentary villages for residents (Parliamentarians and seasonal 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 Details of In kind goods and services provided/received**

**2.1 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.

**Direct cost**

Direct cost consists of overhead costs for the day-to-day running of PMTE. These costs can be measured reliably and are disclosed above. Direct cost compensation of employees is not a standard line item disclosure under 'payments made', this amounts to R 586 million for the 2013/14 financial year. There are also accruals of R2.6 million and commitments R70 million relating to PMTE

**Employee benefits**

Employee cost can be measured reliably and amounts to R89.9 million for the 2013/14 financial year. This is broken down as follows;

- Leave entitlement R63.2 million
- Service bonus R16.3 million
- Performance awards R10.4 million

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 27. RELATED PARTY TRANSACTIONS (CONTINUED)

**Indirect cost**

Indirect costs include the sharing of corporate services between the Department and 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.

- Supply chain management
- Internal audit
- Human Resources (HRM, HROD)
- Gender, people with disabilities, youth and children
- Marketing and communication
- Information system services
- Legal services
- Security management
- Monitoring and evaluation
- Strategic management unit
- Labour relations
- KAM (Head office)
- Regional co-ordination and regional managers
- Senior management (Minister, COO, CFO, DDG and DG)
- In addition, the Department and the PMTE share the service cost of certain special interventions entered into in support of the turnaround strategy. These costs cannot be reliably measured.

**Cleaning and Gardening services**

DPW receives free service from PMTE for gardening and cleaning services, for 2013/14 financial year PMTE paid R59.6 million and accruals amounts to R3 million.

**Municipal services**

DPW pays municipal services on state owned and private lease-properties not occupied by DPW but allocated to other entities. This amounts to R9.6 million for the financial year.

- Unutilised R9.3 million
- Unknown R315 000
- Accruals R676 000

**Capital Assets**

PMTE manages major and minor capital projects for state owned buildings under its custodianship, the actual construction is performed by a third party paid by PMTE . Some of these costs are recovered from DPW yet the projects are not specifically for DPW. For the 2013/14 Financial year DPW paid R561 million. This is based on the devolution of funds from National Treasury.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 28. KEY MANAGEMENT PERSONNEL

| | No. of Individuals | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| Political office bearers | 2 | 3,861 | 3,328 |
| Officials: | | | - |
| Level 15 to 16 | 42 | 31,757 | 19,105 |
| Level 14 (incl. CFO if at a lower level) | 56 | 49,345 | 42,384 |
| Family members of key management personnel | 1 | 587 | 504 |
| **Total** | | **85,550** | **65,321** |

The Political office bearers are the Minister and the Deputy Minister of the Department of Public Works.

Additional members have been seconded to the Department free of service hence their cost are not reflected above

## 29. PUBLIC PRIVATE PARTNERSHIP

| | Note | 2013/14 R'000 | 2012/13 R'000 |
|---|---|---|---|
| **Contract fee paid** | | **57,080** | **42,997** |
| Fixed component | | 1,497 | 6,102 |
| Indexed component | | 55,583 | 36,895 |
| | | | |
| **Analysis of indexed component** | | **55,583** | **36,895** |
| Goods and services (excluding lease payments) | | 17,682 | 21,806 |
| Operating leases | | 37,901 | 14,412 |
| Interest | | - | 677 |
| | | | |
| **Capital/ (Liabilities)** | | **1,497** | **6,102** |
| Tangible rights | | 1,497 | 6,102 |
| | | | |
| **Other** | | **8,735** | **23,588** |
| Other obligations | | 8,735 | 23,588 |

Any guarantees issued by the Department are disclosed in Note 19.

The Department participates in the fleet contract through the Department of Transport provided by Phakisa. The contract operates currently on a month-to-month basis from 1 December 2013 for a period not longer than 12 months.

Included in other obligations are finance lease commitments amounting to R21 000, operating lease commitments amounting to R 2.8 million and accruals amounting to R5.9 million.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 30. MOVABLE TANGIBLE CAPITAL ASSETS

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31MARCH 2014

| | Opening balance | Curr Year Adjustments to prior year balances | Additions | Disposals | Closing Balance |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **HERITAGE ASSETS** | **95,863** | **20,724** | **21** | **4,455** | **112,154** |
| Heritage assets | 95,863 | 20,724 | 21 | 4,455 | 112,154 |
| **MACHINERY AND EQUIPMENT** | **356,612** | **(12,490)** | **46,946** | **7,208** | **383,860** |
| Transport assets | 2,587 | 1,302 | 38 | 708 | 3,219 |
| Computer equipment | 75,429 | 926 | 19,776 | 2,171 | 93,960 |
| Furniture and office equipment | 222,611 | (13,778) | 22,390 | 3,202 | 228,021 |
| Other machinery and equipment | 55,985 | (940) | 4,742 | 1,127 | 58,660 |
| **TOTAL MOVABLE TANGIBLE CAPITAL ASSETS** | **452,475** | **8,234** | **46,967** | **11,663** | **496,014** |

### *30.1 Additions*

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31MARCH 2014

| | Cash | Non-cash | (Capital Work in progress) | Received current, not paid | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **HERITAGE ASSETS** | **-** | **21** | **-** | **-** | **21** |
| Heritage assets | - | 21 | - | - | 21 |
| **MACHINERY AND EQUIPMENT** | **47,511** | **14,835** | **(12,043)** | **(3,357)** | **46,946** |
| Transport assets | - | 38 | - | - | 38 |
| Computer equipment | 17,636 | 1,062 | (12,043) | 13,121 | 19,776 |
| Furniture and office equipment | 11,849 | 10,885 | - | (344) | 22,390 |
| Other machinery and equipment | 18,026 | 2,850 | - | (16,134) | 4,742 |
| **BIOLOGICAL ASSETS** | | | | | |
| **TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS** | **47,511** | **14,856** | **(12,043)** | **(3,357)** | **46,967** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 30. MOVABLE TANGIBLE CAPITAL ASSETS (CONTINUED)

### *30.2 Disposals*

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | Sold for cash | Transfer out or destroyed or scrapped | Total disposals | Cash Received Actual |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| **HERITAGE ASSETS** | **-** | **4,455** | **4,455** | **-** |
| Heritage assets | - | 4,455 | 4,455 | - |
| **MACHINERY AND EQUIPMENT** | **665** | **6,543** | **7,208** | **77** |
| Transport assets | 665 | 43 | 708 | 77 |
| Computer equipment | - | 2,171 | 2,171 | - |
| Furniture and office equipment | - | 3,202 | 3,202 | - |
| Other machinery and equipment | - | 1,127 | 1,127 | - |
| **TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS** | **665** | **10,998** | **11,663** | **77** |

### *30.3 Movement for 2012/13*

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Opening balance | Curr year Adjust to prior year balances | Additions | Disposals | Closing balance |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **HERITAGE ASSETS** | **56,210** | **36,845** | **4,387** | **1,579** | **95,863** |
| Heritage assets | 56,210 | 36,845 | 4,387 | 1,579 | 95,863 |
| **MACHINERY AND EQUIPMENT** | **305,167** | **33,891** | **29,138** | **11,584** | **356,612** |
| Transport assets | 3,563 | - | 50 | 1,026 | 2,587 |
| Computer equipment | 70,435 | (578) | 9,096 | 3,524 | 75,429 |
| Furniture and office equipment | 197,863 | 19,114 | 12,121 | 6,487 | 222,611 |
| Other machinery and equipment | 33,306 | 15,355 | 7,871 | 547 | 55,985 |
| **TOTAL MOVABLE TANGIBLE CAPITAL ASSETS** | **361,377** | **70,736** | **33,525** | **13,163** | **452,475** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 30. MOVABLE TANGIBLE CAPITAL ASSETS (CONTINUED)

### *30.4 Minor assets*

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | 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 | - | 8 | 3,775 | 144,631 | - | 148,414 |
| Current year adjustments to prior year balances | - | (1) | 1,717 | (519) | - | 1,197 |
| Additions | - | 54 | 235 | 6,871 | - | 7,161 |
| Disposals | - | (6) | (102) | (2,761) | - | (2,869) |
| **TOTAL MINOR ASSETS** | **-** | **55** | **5,625** | **148,222** | **-** | **153,903** |

| | Specialised military assets | Intangible assets | Heritage assets | Machinery and equipment | Biological assets | Total |
|---|---|---|---|---|---|---|
| Number of R1 minor assets | - | - | - | 9,046 | - | 9,046 |
| Number of minor assets at cost | - | 18 | 1,974 | 89,444 | - | 91,436 |
| **TOTAL NUMBER OF MINOR ASSETS** | **-** | **18** | **1,974** | **98,490** | **-** | **100,482** |

| | 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 | - | 81 | 1,175 | 162,321 | - | 163,577 |
| Current year Adjustments to prior year balance | - | (73) | 2,513 | (4,591) | - | (2,151) |
| Additions | - | - | 239 | 4,101 | - | 4,340 |
| Disposals | - | - | (152) | (17,200) | - | (17,352) |
| **TOTAL MINOR ASSETS** | **-** | **8** | **3,775** | **144,631** | **-** | **148,414** |

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Specialised military assets | Intangible assets | Heritage assets | Machinery and equipment | Biological assets | Total |
|---|---|---|---|---|---|---|
| Number of R1 minor assets | - | 1 | 112 | 10,661 | - | 10,774 |
| Number of minor assets at cost | - | 12 | 3,291 | 88,695 | - | 91,998 |
| **TOTAL NUMBER OF MINOR ASSETS** | **-** | **13** | **3,403** | **99,356** | **-** | **102,772** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 31. INTANGIBLE CAPITAL ASSETS

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | Opening balance | Current Year Adjust-ments to prior year balances | Additions | Disposals | Closing Balance |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software | 51,084 | 13 | 18,690 | 3,687 | 66,100 |
| Mastheads and publishing titles | - | - | 131 | - | 131 |
| Patents, licences, copyright, brand names, trademarks | 25 | - | 327 | - | 352 |
| Services and operating rights | 512 | - | - | - | 512 |
| **TOTAL INTANGIBLE CAPITAL ASSETS** | **51,621** | **13** | **19,148** | **3,687** | **67,094** |

### *31.1 Additions*

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | 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 |
| Computer software | 16,053 | 3,269 | (652) | 20 | 18,690 |
| Mastheads and publishing | 131 | - | - | - | 131 |
| Titles | - | - | - | - | - |
| Patent, Licences, copyright, brand names, trade marks | - | 327 | - | - | 327 |
| **TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS** | **16,184** | **3,596** | **(652)** | **20** | **19,148** |

### *31.2 Disposals*

DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | Sold for cash | Transfer out or destroyed or scrapped | Total disposals | Cash Received Actual |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| Computer software | - | 3,687 | 3,687 | - |
| **TOTAL DISPOSALS OF INTANGIBLE CAPITAL ASSETS** | **-** | **3,687** | **3,687** | **-** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 31. INTANGIBLE CAPITAL ASSETS (CONTINUED)

### 31.3 Movement for 2012/13

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Opening balance | Curr year adjustments to prior year balances | Additions | Disposals | Closing balance |
|---|---|---|---|---|---|
| | R'000 | | R'000 | R'000 | R'000 |
| Computer software | 50,852 | (174) | 420 | 14 | 51,084 |
| Mastheads and publishing titles | - | 25 | - | - | 25 |
| Services and operating rights | 512 | - | - | - | 512 |
| **TOTAL INTANGIBLE CAPITAL ASSETS** | **51,364** | **(149)** | **420** | **14** | **51,621** |

## 32. IMMOVABLE TANGIBLE CAPITAL ASSETS

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31MARCH 2014

| | Opening balance | Curr Year Adjustments to prior year balances | Additions | Disposals | Closing Balance |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **BUILDINGS AND OTHER FIXED STRUCTURES** | **3,519,434** | - | - | **3,519,434** | - |
| Dwellings | 355,419 | - | - | 355,419 | - |
| Non-residential buildings | 3,164,015 | - | - | 3,164,015 | - |
| | | | | | |
| **LAND AND SUBSOIL ASSETS** | **48,988** | - | - | **48,988** | - |
| Land | 48,988 | - | - | 48,988 | - |
| | | | | | |
| **TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS** | **3,568,422** | - | - | **3,568,422** | - |

The opening balance of R3.57 billion includes acquired and construction properties valued at cost as well as R1 in terms of the National Treasury guidelines. Work in progress of the previous year 2012/13 to the value of R664 million is not included in the opening balance.

This was due to the fact that the department did not have adequate systems in place to determine whether or not renovations and refurbishments costs disclosed at R664 million at the end of the previous year should have been capitilised to individual immovable tangible capital assets, as determined by the accounting policy relating to subsequent recognition. All the assets held by DPW represented by the above mentioned amounts were transferred in totality to the Property Management Trading Entity (PMTE) effective 1 April 2013. Within the PMTE these assets will be subject to a process of determining the deemed cost of each of the assets therefore the amounts transfer as per note 32.5 have no future application, and no correction was made to the balance that was qualified for 2012/13 financial year.

The above mentioned matter affects the opening balance (prior year closing balance) as well as the disposals to PMTE.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 32. IMMOVABLE TANGIBLE CAPITAL ASSETS (CONTINUED)

### 32.1 Additions

ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | Cash | Non-cash | (Capital Work in Progress) | Received current, not paid | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **BUILDING AND OTHER FIXED STRUCTURES** | **377,400** | **-** | **(431,121)** | **53,721** | **-** |
| Dwellings | 25,640 | - | (27,822) | 2,182 | - |
| Non-residential buildings | 122,805 | - | (163,727) | 40,922 | - |
| Other fixed structures | 228,955 | - | (239,572) | 10,617 | - |
| **HERITAGE ASSETS** | **3,383** | **-** | **(4,087)** | **704** | **-** |
| Heritage Assets | 3,383 | - | (4,087) | 704 | - |
| **LAND AND SUBSOIL ASSETS** | **186,582** | **-** | **(186,826)** | **244** | **-** |
| Land | 186,582 | - | (186,826) | 244 | - |
| **TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS** | **567,365** | **-** | **(622,034)** | **54,669** | **-** |

### 32.2 Disposals

DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

| | Sold for cash | Transfer out | Total disposals | Cash Received Actual |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| **BUILDINGS AND OTHER FIXED STRUCTURES** | **-** | **3,519,434** | **3,519,434** | **-** |
| Dwellings | - | 355,419 | 355,419 | - |
| Non-residential buildings | - | 3,164,015 | 3,164,015 | - |
| **LAND AND SUBSOIL ASSETS** | **-** | **48,988** | **48,988** | **-** |
| Land | - | 48,988 | 48,988 | - |
| **TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS** | **-** | **3,568,422** | **3,568,422** | **-** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 32. IMMOVABLE TANGIBLE CAPITAL ASSETS (CONTINUED)

### 32.3 Movement for 2012/13

MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

| | Opening balance | Curr year adjustments to prior year balances | Additions | Disposals | Closing balance |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **BUILDINGS AND OTHER FIXED STRUCTURES** | **4,057,611** | **(587,345)** | **49,168** | **-** | **3,519,434** |
| Dwellings | 502,909 | (147,490) | - | - | 355,419 |
| Non-residential buildings | 3,554,141 | (439,294) | 49,168 | - | 3,164,015 |
| Other fixed structures | 561 | (561) | - | - | - |
| | | | | | |
| **HERITAGE ASSETS** | **4,547** | **(4,547)** | **-** | **-** | **-** |
| Heritage assets | 4,547 | (4,547) | - | - | - |
| | | | | | |
| **LAND AND SUBSOIL ASSETS** | **51,486** | **(2,498)** | **-** | **-** | **48,988** |
| Land | 51,486 | (2,498) | - | - | 48,988 |
| | | | | | |
| **TOTAL IMMOVABLE TANGIBLE ASSETS** | **4,113,644** | **(594,390)** | **49,168** | **-** | **3,568,422** |

### 32.4 Immovable assets valued at R1

IMMOVABLE ASSETS VALUED AT R1 IN THE ASSET REGISTER AS AT 31 MARCH 2013

| | Buildings and other fixed structures | Heritage assets | Land and subsoil assets | Total |
|---|---|---|---|---|
| | R | R | R | R |
| DPW R1 immovable assets | 73,463 | 124 | 55,686 | 129,273 |
| **TOTAL** | **73,463** | **124** | **55,686** | **129,273** |

### 32.5 S42 Immovable assets

| **Assets subjected to transfer in terms of S42 of the PFMA - 2013/14** | No of Assets | Value of Assets |
|---|---|---|
| | | R'000 |
| **BUILDINGS AND OTHER FIXED STRUCTURES** | **506** | **3,545,951** |
| Dwellings | 253 | 361,664 |
| Non-residential buildings | 233 | 3,176,444 |
| Other fixed structures | 20 | 7,843 |
| | | |
| **HERITAGE ASSETS** | **1** | **1,865** |
| Heritage assets | 1 | 1,865 |
| | | |
| **LAND AND SUBSOIL ASSETS** | **24** | **207,041** |
| Land | 24 | 207,041 |
| | | |
| **TOTAL** | **531** | **3,754,857** |

Transfer of capital assets should take place in terms of section 42 of the PFMA in instances where the immovable asset's construction was completed before year end or transferred to another entity. In instances where the immovable assets has not yet been transferred to the custodian Department as required prior to the end of the reporting period, the transfering Department must include these immovable assets in the "S42 Immovable assets" note including the details of the asset. The above mentioned assets represent assets which have reached completion stage during the 2013/14 financial year as well as those transferred as part of the transfer of functions to PMTE.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 33. AGENT-PRINCIPAL ARRANGEMENTS

**Department acting as the principal**

| | 2013/14 R'000 |
|---|---|
| Government Communication and Information System (GCIS) | - |
| International Labour Organisation(ILO) | - |
| Independent Development Trust(IDT) | - |
| **Total** | **-** |

The Department has an arrangement with GCIS for placement of adverts for the consolidation of procurement with service providers. The Department does not pay any fee for the service.

The Department has an arrangement with the International Labour Organisation to assist the Department with capacity and best practise methodology for the implementation of EPWP projects. The ILO receives 13% of direct project costs.

The Department has an arrangement with the IDT for the construction of strategic priority projects of the Department. The IDT receives 3,5% of the project costs for the project management services provided.

## 34. PRIOR PERIOD ERRORS

| | *Note* | 2013/14 R'000 |
|---|---|---|
| Commitments | *20* | 745,332 |
| | | **745,332** |

The prior year commitments were restated due to amounts relating to consultants which was incorrectly included in commitments whereas they do not meet the definition of contracted commitments, WCS system clean up and CPAP commitments which had been incorrectly calculated.

| | | |
|---|---|---|
| Operating Lease Commitments | *23* | 980 |
| | | **980** |

Operating lease commitments were restated due to the reconciliation performed between the Department and PMTE for lease payments relating to accommodation charges to be paid for on offices occupied by DPW and certain Chapter 9 institutions.

| | | |
|---|---|---|
| Irregular Expenditure | *25* | 291,194 |
| | | **291,194** |

Irregular expenditure was restated to exclude irregular expenditure incurred by PMTE that was incorrectly accounted for in the Department. All irregular expenditure relating to transactions within the PMTE has been disclosed in the Annual Financial Statements of the PMTE as the PMTE receives and pays for the goods and services and in return provides the good and services to the client departments.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2014

| | Note | 2013/14 |
|---|---|---|
| | | R'000 |
| Fruitless and Wasteful Expenditure | 26 | 73,955 |
| | | 73,955 |

Fruitless and wasteful expenditure was restated to exclude expenditure incurred by PMTE that was incorrectly accounted for in the Department. All fruitless and wasteful expenditure relating to transactions within the PMTE has been disclosed in the Annual Financial Statements of the PMTE as the PMTE receives and pays for the goods and services and in return provides the good and services to the client departments. The prior year's restatement was for the reduction in the "opening balance" by R68,8 million as well as the reduction of "Fruitless and wasteful relating to prior year" by R5,1 million. The prior year analysis per economic classification has been restated by R73,9 million.

## 35. TRANSFER OF FUNCTIONS

The operationalization of the PMTE has been a key focus area within the Department as this will facilitate improved service delivery to client departments with regards to the provision and servicing of their accommodation requirements in future. During the period under review all property management functions were formally transferred from the Department to the PMTE. Although the PMTE is still reflected as an organisational component of the Department, it has the legal status of a Trading Entity approved by the National Treasury in terms of the Public Finance Management Act. This functional transfer was comprehensive in nature and, inter alia included all related assets, legal obligations, systems and staff to ensure a seamless transition and ensure that assets are matched to expenses and obligations.

During the transfer of functions, the assets and liabilities listed below were transferred at no consideration from the Department to PMTE.

| | Note | Bal per Dept 2012/13 AFS before transfer | Functions (transferred) | 2012/13 Bal after transfer |
|---|---|---|---|---|
| | | 2012/13 | | 2012/13 |
| | | R'000 | R'000 | R'000 |
| Contingent liabilities | | 12,634 | (11,789) | 845 |
| Operating lease revenue | | 75,636 | (75,636) | - |
| Receivable for departmental revenue | | 17,601 | (15,228) | 2,373 |
| Immovable assets | | 3,568,422 | (3,568,422) | - |

The transfer of functions has been done in compliance with S42 of the PFMA, detailed reconciliations and asset register have been provided to the transferee and approved by the accounting officer.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2014

### 36. STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES

| NAME OF PROVINCE / GRANT | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Division of Revenue Act | Roll Overs | Adjustments | Total Available | Actual Transfer | Funds Withheld | Re-allocations by National Treasury or National Department | Amount received by Department | Amount spent by Department | % of available funds spent by Department | Division of Revenue Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | % | R'000 |
| Eastern Cape | 129,305 | - | - | 129,305 | 129,305 | - | - | 129,305 | 125,720 | 97% | 283,279 |
| Free State | 26,546 | - | - | 26,546 | 26,546 | - | - | 26,546 | 24,781 | 93% | 276,698 |
| Gauteng | 43,258 | - | - | 43,258 | 43,258 | - | - | 43,258 | 40,293 | 93% | 342,249 |
| Kwazulu-Natal | 126,443 | - | - | 126,443 | 124,832 | 1,611 | - | 124,832 | 115,823 | 93% | 632,279 |
| Limpopo | 106,087 | - | - | 106,087 | 105,287 | 800 | - | 105,287 | 87,197 | 83% | 142,116 |
| Mpumalanga | 36,252 | - | - | 36,252 | 35,352 | 900 | - | 35,352 | 34,406 | 97% | 116,784 |
| Northern Cape | 33,924 | - | 1,000 | 34,924 | 34,924 | - | - | 34,924 | 28,295 | 81% | 55,899 |
| North West | 68,136 | - | - | 68,136 | 68,136 | - | - | 68,136 | 66,129 | 97% | 218,193 |
| Western Cape | 42,527 | - | - | 42,527 | 42,527 | - | - | 42,527 | 41,747 | 98% | 361,324 |
| | **612,478** | **-** | **1,000** | **613,478** | **610,167** | **3,311** | **-** | **610,167** | **564,391** | | **2,428,821** |

The Department certify that all transfers were in terms of the DORA Act and deposited into the primary bank account of the province or municipality.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 | 2,705 | - | - | 2,705 | 2,705 | - | - |
| Nelson Mandela Bay | 20,885 | - | - | 20,885 | 20,885 | - | - |
| Camdeboo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Blue Crane Route | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ikwezi | 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 | - | - |
| Baviaans | 1,045 | - | - | 1,045 | 1,045 | - | - |
| Kouga | 1,330 | - | - | 1,330 | 1,330 | - | - |
| Kou-Kamma | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Cacadu District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mbhashe | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mnquma | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Great Kei | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Amahlathi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ngqushwa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Nkonkobe | 2,180 | - | - | 2,180 | 2,180 | - | - |
| Nxuba | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Amathole District Municipality | 3,125 | - | - | 3,125 | 3,125 | - | - |
| InxubaYethemba | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Tsolwana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Inkwanca | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Lukanji | 1,515 | - | - | 1,515 | 1,515 | - | - |
| IntsikaYethu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Emalahleni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Engcobo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Sakhisizwe | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Chris Hani District Municipality | 8,445 | - | - | 8,445 | 8,445 | - | - |
| Elundini | 1,398 | - | - | 1,398 | 1,398 | - | - |
| Senqu | 2,160 | - | - | 2,160 | 2,160 | - | - |
| Maletswai | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Gariep | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Joe Gqabi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ngquza Hill | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Port St Johns | 1,000 | - | - | 1,000 | 1,000 | - | - |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| Nyandeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mhlontlo | 1,025 | - | - | 1,025 | 1,025 | - | - |
| King SabataDalindyebo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| O.R.Tambo District Municipality | 5,870 | - | - | 5,870 | 5,870 | - | - |
| Matatiele | 3,946 | - | - | 3,946 | 3,946 | - | - |
| Umzimvubu | 1,220 | - | - | 1,220 | 1,220 | - | - |
| Mbizana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ntabankulu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Alfred Nzo District Municipality | 5,780 | - | - | 5,780 | 5,780 | - | - |
| Mangaung | 3,896 | - | - | 3,896 | 3,896 | - | - |
| Letsemeng | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Kopanong | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mohokare | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Naledi | 1,000 | - | 600 | 1,600 | 1,600 | - | - |
| 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 | - | - |
| Setsoto | 1,750 | - | - | 1,750 | 1,750 | - | - |
| Dihlabeng | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Nketoana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Maluti a Phofung | 10,210 | - | - | 10,210 | 10,210 | - | - |
| Phumelela | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mantsopa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| 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 | - | - |
| FezileDabi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ekurhuleni | 10,405 | - | - | 10,405 | 10,405 | - | - |
| City of Johannesburg | 89,434 | - | - | 89,434 | 89,434 | - | - |
| City of Tshwane | 29,670 | - | - | 29,670 | 29,670 | - | - |
| Emfuleni | 4,885 | - | - | 4,885 | 4,885 | - | - |

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| Midvaal | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Lesedi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Sedibeng District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mogale City | 1,894 | - | - | 1,894 | 1,894 | - | - |
| Randfontein | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Westonaria | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Merafong City | 1,520 | - | - | 1,520 | 1,520 | - | - |
| West Rand District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ethekwini | 47,381 | - | - | 47,381 | 47,381 | - | - |
| Vulamehlo | - | - | - | - | - | - | - |
| Umdoni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Umzumbe | - | - | - | - | - | - | - |
| UMuziwabantu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ezingoleni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Hibiscus Coast | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ugu District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| uMshwathi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| uMngeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mpofana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Impendle | 1,000 | - | - | 1,000 | 1,000 | - | - |
| The Msunduzi | 1,874 | - | - | 1,874 | 1,874 | - | - |
| Mkhambathini | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Richmond | 1,017 | - | - | 1,017 | 1,017 | - | - |
| Umgungundlovu District Municipality | 1,000 | | - | 1,000 | 1,000 | - | - |
| Emnambithi/Ladysmith | 2,729 | - | - | 2,729 | 2,729 | - | - |
| Indaka | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Umtshezi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Okhahlamba | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Imbabazane | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Uthukela District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Endumeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Nqutu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Msinga | 1,115 | - | - | 1,115 | 1,115 | - | - |
| Umvoti | 1,660 | - | - | 1,660 | 1,660 | - | - |
| Umzinyathi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Newcastle | 1,310 | - | - | 1,310 | 1,310 | - | - |

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| Emadlangeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Dannhauser | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Amajuba District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| eDumbe | - | - | - | - | - | - | - |
| UPhongolo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Abaqulusi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Nongoma | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ulundi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Zululand District Municipality | 2,942 | - | - | 2,942 | 2,942 | - | - |
| Umhlabuyalingana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Jozini | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Hlabisa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mtubatuba | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Umkhanyakude District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mfolozi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| uMhlathuze | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ntambanana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| uMlalazi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mthonjaneni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Nkandla | 2,830 | - | - | 2,830 | 2,830 | - | - |
| Uthungulu District Municipality | 2,840 | - | - | 2,840 | 2,840 | - | - |
| Mandeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| KwaDukuza | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ndwedwe | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Maphumulo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| iLembe District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ingwe | 1,000 | - | - | 1,000 | 1,000 | - | - |
| KwaSani | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Greater Kokstad | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ubuhlebezwe | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Umzimkhulu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Sisonke District Municipality | 2,739 | - | - | 2,739 | 2,739 | - | - |
| Greater Giyani | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Greater Letaba | 1,198 | - | - | 1,198 | 1,198 | - | - |
| Greater Tzaneen | 1,710 | - | - | 1,710 | 1,710 | - | - |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| Ba-Phalaborwa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Maruleng | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mopani District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Musina | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mutale | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Thulamela | 1,735 | - | - | 1,735 | 1,735 | - | - |
| Makhado | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Vhembe District Municipality | 4,655 | - | - | 4,655 | 4,655 | - | - |
| Blouberg | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Aganang | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Molemole | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Polokwane | 4,614 | - | - | 4,614 | 4,614 | - | - |
| Lepele-Nkumpi | 1,198 | - | - | 1,198 | 1,198 | - | - |
| Capricorn District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Thabazimbi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Lephalale | 1,115 | - | - | 1,115 | 1,115 | - | - |
| Mookgopong | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Modimolle | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Bela-Bela | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mogalakwena | 1,154 | - | - | 1,154 | 1,154 | - | - |
| Waterberg District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ephraim Mogale | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Elias Motsoaledi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Makhuduthamaga | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Fetakgomo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Greater Tubatse | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Sekhukhune District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Albert Luthuli | 3,785 | - | - | 3,785 | 3,785 | - | - |
| Msukaligwa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mkhondo | 1,954 | - | - | 1,954 | 1,954 | - | - |
| PixleyKaSeme | 3,072 | - | - | 3,072 | 3,072 | - | - |
| Lekwa | 1,056 | - | - | 1,056 | 1,056 | - | - |
| Dipaleseng | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Govan Mbeki | 2,151 | - | - | 2,151 | 2,151 | - | - |
| GertSibande District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Victor Khanye | 1,465 | - | - | 1,465 | 1,465 | - | - |

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| 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 |
| Emalahleni | 1,594 | - | - | 1,594 | 1,594 | - | - |
| Steve Tshwete | 1,639 | - | - | 1,639 | 1,639 | - | - |
| Emakhazeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Thembisile | 2,842 | - | - | 2,842 | 2,842 | - | - |
| Dr JS Moroka | 3,096 | - | - | 3,096 | 3,096 | - | - |
| Nkangala District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| ThabaChweu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mbombela | 1,695 | - | - | 1,695 | 1,695 | - | - |
| Umjindi | 1,286 | - | - | 1,286 | 1,286 | - | - |
| Nkomazi | 6,044 | - | - | 6,044 | 6,044 | - | - |
| Bushbuckridge | 2,596 | - | - | 2,596 | 2,596 | - | - |
| Ehlanzeni District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Richtersveld | 1,000 | - | - | 1,000 | 1,000 | - | - |
| NamaKhoi | 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 | - | - |
| Namakwa District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ubuntu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Umsobomvu | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Emthanjeni | 1,000 | - | - | 1,000 | 1,000 | - | - |
| 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 | - | - |
| PixleyKaSeme District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mier | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Kai Garib | 1,000 | - | - | 1,000 | 1,000 | - | - |
| KharaHais | 1,000 | - | - | 1,000 | 1,000 | - | - |
| KheiS | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Tsantsabane | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Kgatelopele | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Siyanda District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Sol Plaatjie | 6,618 | - | - | 6,618 | 6,618 | - | - |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| 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 | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Joe Morolong | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ga-Segonyana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Gamagara | 1,000 | - | - | 1,000 | 1,000 | - | - |
| John TaoloGaetsewe District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Moretele | 1,175 | - | - | 1,175 | 1,175 | - | - |
| Madibeng | 2,573 | - | - | 2,573 | 2,573 | - | - |
| Rustenburg | 7,990 | - | - | 7,990 | 7,990 | - | - |
| Kgetlengrivier | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Moses Kotane | 2,386 | - | - | 2,386 | 2,386 | - | - |
| Bojanala Platinum District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Ratlou | 1,080 | - | - | 1,080 | 1,080 | - | - |
| Tswaing | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mafikeng | 3,720 | - | - | 3,720 | 3,720 | - | - |
| Ditsobotla | 1,982 | - | - | 1,982 | 1,982 | - | - |
| RamotshereMoiloa | 1,135 | - | - | 1,135 | 1,135 | - | - |
| NgakaModiriMolema District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Naledi | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mamusa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Greater Taung | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Lekwa-Teemane | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Kagisano/Molopo | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Dr Ruth SegomotsiMompati District Municipality | 1,668 | - | - | 1,668 | 1,668 | - | - |
| Ventersdorp | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Tlokwe City Council | 1,000 | - | - | 1,000 | 1,000 | - | - |
| City of Matlosana | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Maquassi Hills | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Dr Kenneth Kaunda District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| City of Cape Town | 32,080 | - | - | 32,080 | 32,080 | - | - |

## 37. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | |
|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 |
| Matzikama | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Cederberg | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Bergrivier | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Saldanha Bay | 1,554 | - | - | 1,554 | 1,554 | - | - |
| Swartland | 1,000 | - | - | 1,000 | 1,000 | - | - |
| West Coast District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Witzenberg | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Drakenstein | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Stellenbosch | 1,760 | - | - | 1,760 | 1,760 | - | - |
| Breede Valley | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Langeberg | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Cape Winelands District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| The waterskloof | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Overstrand | 1,244 | - | - | 1,244 | 1,244 | - | - |
| Cape Agulhas | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Swellendam | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Overberg District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Kannaland | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Hessequa | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Mossel Bay | 2,240 | - | - | 2,240 | 2,240 | - | - |
| George | 3,285 | - | - | 3,285 | 3,285 | - | - |
| Oudtshoorn | 1,800 | - | - | 1,800 | 1,800 | - | - |
| Bitou | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Knysna | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Eden District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Laingsburg | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Prince Albert | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Beaufort West | 1,000 | - | - | 1,000 | 1,000 | - | - |
| Central Karoo District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - |
| **TOTAL** | **610,674** | **-** | **600** | **611,274** | **611,274** | **-** | **-** |

The Department certify that all transfers were in terms of the DORA Act and deposited into the primary bank account of the province or municipality.

# Annexures to the Financial Statements

for the year ended 31 March 2014

## ANNEXURE 1A

*STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES*

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Buffalo City | 2,705 | - | - | 2,705 | 2,705 | - | - | 2,705 | 1,630 | 60% | 1,484 |
| Nelson Mandela Bay | 20,885 | - | - | 20,885 | 20,885 | - | - | 20,885 | 3,026 | 14% | 14,696 |
| Camdeboo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 240 | 24% | 1,000 |
| Blue Crane Route | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 889 | 89% | 1,000 |
| Ikwezi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 838 | 84% | 1,000 |
| Makana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 861 | 86% | 1,000 |
| Ndlambe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Sundays River Valley | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 799 | 80% | 1,000 |
| Baviaans | 1,045 | - | - | 1,045 | 1,045 | - | - | 1,045 | 1,045 | 100% | 1,471 |
| Kouga | 1,330 | - | - | 1,330 | 1,330 | - | - | 1,330 | 1,008 | 76% | 1,224 |
| Kou-Kamma | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Cacadu District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Mbhashe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 547 | 55% | 1,000 |
| Mnquma | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 924 | 92% | 1,172 |
| Great Kei | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 670 | 67% | 1,000 |
| Amahlathi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 772 | 77% | 1,000 |
| Ngqushwa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 806 | 81% | 1,000 |
| Nkonkobe | 2,180 | - | - | 2,180 | 2,180 | - | - | 2,180 | 1,576 | 72% | 1,181 |
| Nxuba | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 513 | 51% | 1,000 |
| Amathole District Municipality | 3,125 | - | - | 3,125 | 3,125 | - | - | 3,125 | 2,618 | 84% | 6,022 |
| InxubaYethemba | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Tsolwana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 953 | 95% | 1,000 |
| Inkwanca | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 396 | 40% | 1,000 |
| Lukanji | 1,515 | - | - | 1,515 | 1,515 | - | - | 1,515 | 1,515 | 100% | 2,844 |
| IntsikaYethu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Emalahleni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 270 | 27% | 1,000 |
| Engcobo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Sakhisizwe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Chris Hani District Municipality | 8,445 | - | - | 8,445 | 8,445 | - | - | 8,445 | 8,445 | 100% | 9,835 |
| Elundini | 1,398 | - | - | 1,398 | 1,398 | - | - | 1,398 | 1,095 | 78% | 1,000 |
| Senqu | 2,160 | - | - | 2,160 | 2,160 | - | - | 2,160 | 2,160 | 100% | 1,857 |
| Maletswai | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Gariep | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 701 | 70% | 1,000 |
| Joe Gqabi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 738 | 74% | - |
| Ngquza Hill | 1,000 | | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,894 |
| Port St Johns | 1,000 | | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Nyandeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Mhlontlo | 1,025 | - | - | 1,025 | 1,025 | - | - | 1,025 | 777 | 76% | 1,058 |
| King SabataDalindyebo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 193 | 19% | 1,000 |
| O.R.Tambo District Municipality | 5,870 | - | - | 5,870 | 5,870 | - - | - | 5,870 | 3,936 | 67% | 9,139 |
| Matatiele | 3,946 | - | - | 3,946 | 3,946 | - | - | 3,946 | 2,560 | 65% | 3,430 |
| Umzimvubu | 1,220 | - | - | 1,220 | 1,220 | - | - | 1,220 | 1,011 | 83% | 1,417 |
| Mbizana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 918 | 92% | 1,000 |
| Ntabankulu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 911 | 91% | 1,000 |
| Alfred Nzo District Municipality | 5,780 | - | - | 5,780 | 5,780 | - | - | 5,780 | 5,780 | 100% | 9,604 |
| Mangaung | 3,896 | - | - | 3,896 | 3,896 | - | - | 3,896 | 1,662 | 43% | 5,914 |
| Letsemeng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Kopanong | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 259 | 26% | 1,000 |
| Mohokare | 1,000 | - | | 1,000 | 1,000 | - | - | 1,000 | 570 | 57% | 1,000 |
| Naledi | 1,000 | - | 600 | 1,600 | 1,600 | - | - | 1,600 | 49 | 3% | 1,000 |
| Xhariep District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |

*STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)*

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Masilonyana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 637 | 64% | 1,169 |
| Tokologo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 486 | 49% | 1,444 |
| Tswelopele | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 881 | 88% | 1,000 |
| Matjhabeng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 475 | 48% | 882 |
| Nala | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 986 | 99% | 1,166 |
| Lejweleputswa District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Setsoto | 1,750 | - | - | 1,750 | 1,750 | - | - | 1,750 | 1,750 | 100% | 1,090 |
| Dihlabeng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Nketoana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 712 | 71% | 1,000 |
| Maluti a Phofung | 10,210 | - | - | 10,210 | 10,210 | - | - | 10,210 | 10,210 | 100% | 8,062 |
| Phumelela | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 10 | 1% | |
| Mantsopa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 461 | 46% | 1,000 |
| Thabo Mofutsanyana District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,737 |
| Moqhaka | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,259 |
| Ngwathe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 324 | 32% | 993 |
| Metsimaholo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,395 |
| Mafube | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,024 |
| FezileDabi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Ekurhuleni | 10,405 | - | - | 10,405 | 10,405 | - | - | 10,405 | 10,146 | 98% | 14,382 |
| City of Johannesburg | 89,434 | - | - | 89,434 | 89,434 | - | - | 89,434 | 45,785 | 51% | 140,615 |
| City of Tshwane | 29,670 | - | - | 29,670 | 29,670 | - | - | 29,670 | 25,720 | 87% | 10,151 |
| Emfuleni | 4,885 | - | - | 4,885 | 4,885 | - | - | 4,885 | 4,885 | 100% | 1,036 |
| Midvaal | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Lesedi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 753 | 75% | 1,000 |
| Sedibeng District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 345 | 35% | 1,000 |
| Mogale City | 1,894 | - | - | 1,894 | 1,894 | - | - | 1,894 | 1,067 | 56% | 1,891 |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Randfontein | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Westonaria | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Merafong City | 1,520 | - | - | 1,520 | 1,520 | - | - | 1,520 | 1,520 | 100% | 1,762 |
| West Rand District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 771 | 77% | 1,000 |
| Ethekwini | 47,381 | - | - | 47,381 | 47,381 | - | - | 47,381 | 39,658 | 84% | 42,356 |
| Umdoni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 233 | 23% | 1,000 |
| UMuziwabantu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | - |
| Ezingoleni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 418 | 42% | - |
| Hibiscus Coast | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 759 | 76% | 1,000 |
| Ugu District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| uMshwathi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 400 | 40% | - |
| uMngeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 343 | 34% | - |
| Mpofana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 402 | 40% | 1,000 |
| Impendle | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 831 | 83% | 1,000 |
| The Msunduzi | 1,874 | - | - | 1,874 | 1,874 | - | - | 1,874 | 1,618 | 86% | 1,501 |
| Mkhambathini | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | - |
| Richmond | 1,017 | - | - | 1,017 | 1,017 | - | - | 1,017 | 366 | 36% | - |
| Umgungundlovu District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 905 | 91% | 1,000 |
| Emnambithi/Ladysmith | 2,729 | - | - | 2,729 | 2,729 | - | - | 2,729 | 2,729 | 100% | 937 |
| Indaka | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 217 | 22% | - |
| Umtshezi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 370 | 37% | - |
| Okhahlamba | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,940 |
| Imbabazane | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 628 | 63% | - |
| Uthukela District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 2,874 |
| Endumeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | - |
| Nqutu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Msinga | 1,115 | - | - | 1,115 | 1,115 | - | - | 1,115 | 1,115 | 100% | 1,000 |
| Umvoti | 1,660 | - | - | 1,660 | 1,660 | - | - | 1,660 | 996 | 60% | - |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Umzinyathi District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,765 |
| Newcastle | 1,310 | - | - | 1,310 | 1,310 | - | - | 1,310 | 1,310 | 100% | 1,875 |
| Emadlangeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 236 | 24% | - |
| Dannhauser | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 371 | 37% | - |
| Amajuba District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 290 | 29% | 1,000 |
| eDumbe | - | - | - | - | - | - | - | - | 795 | - | 1,000 |
| UPhongolo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Abaqulusi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 96 | 10% | 1,000 |
| Nongoma | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 432 | 43% | 1,000 |
| Ulundi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Zululand District Municipality | 2,942 | - | - | 2,942 | 2,942 | - | - | 2,942 | 2,942 | 100% | 1,000 |
| Umhlabuyalingana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,570 | 157% | 1,000 |
| Jozini | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | - |
| Hlabisa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 366 | 37% | - |
| Mtubatuba | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | - |
| Umkhanyakude District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Mfolozi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 374 | 37% | - |
| uMhlathuze | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 811 | 81% | 1,000 |
| Ntambanana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 656 | 66% | 1,000 |
| uMlalazi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 544 | 54% | 1,000 |
| Mthonjaneni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Nkandla | 2,830 | - | - | 2,830 | 2,830 | - | - | 2,830 | 1,708 | 60% | 1,000 |
| Uthungulu District Municipality | 2,840 | - | - | 2,840 | 2,840 | - | - | 2,840 | 2,568 | 90% | 2,651 |
| Mandeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | - |
| KwaDukuza | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 587 | 59% | 1,000 |
| Ndwedwe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 419 | 42% | - |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| NAME OF MUNICIPALITY | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 Municipality | Amount spent 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 |
| Maphumulo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | - |
| iLembe District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Ingwe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 225 | 23% | - |
| KwaSani | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Greater Kokstad | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 642 | 64% | 1,000 |
| Ubuhlebezwe | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 754 | 75% | 1,000 |
| Umzimkhulu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Sisonke District Municipality | 2,739 | - | - | 2,739 | 2,739 | - | - | 2,739 | 1,095 | 40% | 3,028 |
| Greater Giyani | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Greater Letaba | 1,198 | - | - | 1,198 | 1,198 | - | - | 1,198 | 1,198 | 100% | 1,142 |
| Greater Tzaneen | 1,710 | - | - | 1,710 | 1,710 | - | - | 1,710 | 1,710 | 100% | 935 |
| Ba-Phalaborwa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 719 | 72% | 1,000 |
| Maruleng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 872 | 87% | 1,000 |
| Mopani District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 692 | 69% | 3,808 |
| Musina | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Mutale | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 419 | 42% | 1,000 |
| Thulamela | 1,735 | - | - | 1,735 | 1,735 | - | - | 1,735 | 1,735 | 100% | 1,378 |
| Makhado | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,926 |
| Vhembe District Municipality | 4,655 | - | - | 4,655 | 4,655 | - | - | 4,655 | 2,505 | 54% | 4,862 |
| Blouberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Aganang | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,066 |
| Molemole | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 182 | 18% | 1,000 |
| Polokwane | 4,614 | - | - | 4,614 | 4,614 | - | - | 4,614 | 4,138 | 90% | 5,446 |
| Lepele-Nkumpi | 1,198 | - | - | 1,198 | 1,198 | - | - | 1,198 | 1,198 | 100% | 1,260 |
| Capricorn District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 874 | 87% | 2,924 |
| Thabazimbi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 520 | 52% | 1,514 |
| Lephalale | 1,115 | - | - | 1,115 | 1,115 | - | - | 1,115 | 779 | 70% | 1,052 |
| Mookgopong | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |

*STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)*

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Modimolle | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 912 |
| Bela-Bela | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Mogalakwena | 1,154 | - | - | 1,154 | 1,154 | - | - | 1,154 | 518 | 45% | 1,755 |
| Waterberg District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Ephraim Mogale | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 876 | 88% | 1,000 |
| Elias Motsoaledi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 44 | 4% | 1,000 |
| Makhuduthamaga | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 330 | 33% | 966 |
| Fetakgomo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,012 |
| Greater Tubatse | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 122 | 12% | 1,000 |
| Sekhukhune District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 3,124 |
| Albert Luthuli | 3,785 | - | - | 3,785 | 3,785 | - | - | 3,785 | 2,251 | 59% | 1,386 |
| Msukaligwa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 999 | 100% | 1,056 |
| Mkhondo | 1,954 | - | - | 1,954 | 1,954 | - | - | 1,954 | 1,854 | 95% | 1,000 |
| PixleyKaSeme | 3,072 | - | - | 3,072 | 3,072 | - | - | 3,072 | 2,738 | 89% | 1,488 |
| Lekwa | 1,056 | - | - | 1,056 | 1,056 | - | - | 1,056 | - | - | 1,757 |
| Dipaleseng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 488 | 49% | 967 |
| Govan Mbeki | 2,151 | - | - | 2,151 | 2,151 | - | - | 2,151 | 2,145 | 100% | 1,959 |
| GertSibande District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 946 | 95% | 1,000 |
| Victor Khanye | 1,465 | - | - | 1,465 | 1,465 | - | - | 1,465 | 1,465 | 100% | 1,138 |
| Emalahleni | 1,594 | - | - | 1,594 | 1,594 | - | - | 1,594 | - | - | 1,358 |
| Steve Tshwete | 1,639 | - | - | 1,639 | 1,639 | - | - | 1,639 | 1,248 | 76% | 1,646 |
| Emakhazeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 716 | 72% | 1,000 |
| Thembisile | 2,842 | - | - | 2,842 | 2,842 | - | - | 2,842 | 2,842 | 100% | 991 |
| Dr JS Moroka | 3,096 | - | - | 3,096 | 3,096 | - | - | 3,096 | 1,930 | 62% | 1,000 |
| Nkangala District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 521 | 52% | 1,214 |
| ThabaChweu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 852 | 85% | 1,000 |

*STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)*

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Mbombela | 1,695 | - | - | 1,695 | 1,695 | - | - | 1,695 | 1,695 | 100% | 2,954 |
| Umjindi | 1,286 | - | - | 1,286 | 1,286 | - | - | 1,286 | 935 | 73% | 1,493 |
| Nkomazi | 6,044 | - | - | 6,044 | 6,044 | - | - | 6,044 | 5,612 | 93% | 1,366 |
| Bushbuckridge | 2,596 | - | - | 2,596 | 2,596 | - | - | 2,596 | 2,301 | 89% | 3,380 |
| Ehlanzeni District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Richtersveld | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 262 | 26% | - |
| NamaKhoi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 450 | 45% | 1,000 |
| Kamiesberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 71 | 7% | - |
| Hantam | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 958 | 96% | 1,000 |
| Karoo Hoogland | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 758 | 76% | - |
| Khâi-Ma | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 431 | 43% | - |
| Namakwa District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Ubuntu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Umsobomvu | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Emthanjeni | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Kareeberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 802 | 80% | 1,000 |
| Renosterberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 833 | 83% | 1,000 |
| Thembelihle | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 409 | 41% | 1,000 |
| Siyathemba | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 954 | 95% | 1,000 |
| Siyancuma | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 439 | 44% | - |
| PixleyKaSeme District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 736 | 74% | 1,000 |
| Mier | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 115 | 12% | - |
| Kai Garib | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 640 | 64% | 1,000 |
| KharaHais | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 923 | 92% | 1,000 |
| Kheis | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 431 | 43% | 1,000 |
| Tsantsabane | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 530 | 53% | 1,000 |
| Kgatelopele | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 481 | 48% | 1,000 |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| NAME OF MUNICIPALITY | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 Municipality | Amount spent 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 |
| Siyanda District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 434 | 43% | 1,000 |
| Sol Plaatjie | 6,618 | - | - | 6,618 | 6,618 | - | - | 6,618 | 6,618 | 100% | 7,659 |
| Dikgatlong | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Magareng | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 507 | 51% | 1,000 |
| Phokwane | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Frances Baard District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Joe Morolong | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 422 | 42% | 1,000 |
| Ga-Segonyana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Gamagara | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| John TaoloGaetsewe District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 594 | 59% | 1,000 |
| Moretele | 1,175 | - | - | 1,175 | 1,175 | - | - | 1,175 | 142 | 12% | 2,169 |
| Madibeng | 2,573 | - | - | 2,573 | 2,573 | - | - | 2,573 | 1,801 | 70% | 1,411 |
| Rustenburg | 7,990 | - | - | 7,990 | 7,990 | - | - | 7,990 | - | - | 7,837 |
| Kgetlengrivier | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Moses Kotane | 2,386 | - | - | 2,386 | 2,386 | - | - | 2,386 | 953 | 40% | 1,428 |
| Bojanala Platinum District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 852 | 85% | 1,412 |
| Ratlou | 1,080 | - | - | 1,080 | 1,080 | - | - | 1,080 | 654 | 61% | 1,000 |
| Tswaing | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Mafikeng | 3,720 | - | - | 3,720 | 3,720 | - | - | 3,720 | 3,720 | 100% | 3,232 |
| Ditsobotla | 1,982 | - | - | 1,982 | 1,982 | - | - | 1,982 | 455 | 23% | 2,488 |
| RamotshereMoiloa | 1,135 | - | - | 1,135 | 1,135 | - | - | 1,135 | 1,073 | 95% | 1,000 |
| NgakaModiriMolema District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Naledi | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 100 |
| Mamusa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 757 | 76% | 1,000 |
| Greater Taung | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Lekwa-Teemane | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| Kagisano/Molopo | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | - |
| Dr Ruth SegomotsiMompati District Municipality | 1,668 | - | - | 1,668 | 1,668 | - | - | 1,668 | 843 | 51% | 2,350 |
| Ventersdorp | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 851 | 85% | 1,000 |
| Tlokwe City Council | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 463 | 46% | 1,000 |
| City of Matlosana | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,840 |
| Maquassi Hills | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Dr Kenneth Kaunda District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 286 | 29% | 1,000 |
| City of Cape Town | 32,080 | - | - | 32,080 | 32,080 | - | - | 32,080 | 25,242 | 79% | 20,205 |
| Matzikama | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 390 | 39% | 1,058 |
| Cederberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 999 | 100% | 1,000 |
| Bergrivier | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 746 | 75% | 896 |
| Saldanha Bay | 1,554 | - | - | 1,554 | 1,554 | - | - | 1,554 | 1,108 | 71% | 1,997 |
| Swartland | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |
| West Coast District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 800 | 80% | 1,000 |
| Witzenberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 615 | 62% | 1,000 |
| Drakenstein | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | - | - | 1,000 |
| Stellenbosch | 1,760 | - | - | 1,760 | 1,760 | - | - | 1,760 | - | - | 1,041 |
| Breede Valley | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 518 | 52% | 1,000 |
| Langeberg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 881 | 88% | 1,000 |
| Cape Winelands District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 893 | 89% | 1,214 |
| The waterskloof | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 825 | 83% | 994 |
| Over strand | 1,244 | - | - | 1,244 | 1,244 | - | - | 1,244 | 787 | 63% | 1,000 |
| Cape Agulhas | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,395 | 140% | 1,000 |
| Swellendam | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 1,000 | 100% | 1,000 |

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

| | GRANT ALLOCATION | | | | TRANSFER | | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAME OF MUNICIPALITY | 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 Municipality | Amount spent 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 |
| Overberg District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 910 | 91% | 1,000 |
| Kannaland | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 226 | 23% | 1,000 |
| Hessequa | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 129 | 13% | 1,000 |
| Mossel Bay | 2,240 | - | - | 2,240 | 2,240 | - | - | 2,240 | 1,529 | 68% | 2,461 |
| George | 3,285 | - | - | 3,285 | 3,285 | - | - | 3,285 | 1,909 | 58% | 1,736 |
| Oudtshoorn | 1,800 | - | - | 1,800 | 1,800 | - | - | 1,800 | 1,800 | 100% | 2,350 |
| Bitou | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 300 | 30% | 1,000 |
| Knysna | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 719 | 72% | 1,000 |
| Eden District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 263 | 26% | 1,000 |
| Laingsburg | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 877 | 88% | 1,000 |
| Prince Albert | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 838 | 84% | 1,000 |
| Beaufort West | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 607 | 61% | 1,000 |
| Central Karoo District Municipality | 1,000 | - | - | 1,000 | 1,000 | - | - | 1,000 | 404 | 40% | 1,000 |
| **TOTAL** | **610,674** | **-** | **600** | **611,274** | **611,274** | **-** | **-** | **611,274** | **435,163** | **71%** | **662,135** |

The Department certify that all transfers were in terms of the DORA Act and deposited into the primary bank account of the province or municipality.

## ANNEXURE 1B

*STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES*

| NAME OF MUNICIPALITY | GRANT ALLOCATION | | | | TRANSFER | | SPENT | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Roll Overs | Adjustments | Total Available | Actual Transfer | % of Available funds Transferred | Amount received by municipality | Amount spent by municipality | % of available funds spent by municipality | Total Available |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | % | R'000 |
| City of Cape Town | 2 | - | - | 2 | 2 | 100% | 2 | 2 | 100% | 8 |
| Sol Plaatjie | - | - | - | - | - | - | - | - | - | 6 |
| Mangaung | 1 | - | - | 1 | 1 | 100% | 1 | 1 | 100% | 5 |
| City of Tshwane | 1 | - | - | 1 | 1 | 100% | 1 | 1 | 100% | 7 |
| | **4** | **-** | **-** | **4** | **4** | **100%** | **4** | **4** | **100%** | **26** |

## ANNEXURE 1C

*STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS*

| DEPARTMENT/ AGENCY/ ACCOUNT | TRANSFER ALLOCATION | | | | TRANSFER | | 2012/13 |
|---|---|---|---|---|---|---|---|
| | Adjusted Appropriation | Roll Overs | Adjustments | Total Available | Actual Transfer | % of Available funds Transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| Construction Industry Development | 72,361 | - | - | 72,361 | 72,361 | 100% | 67,614 |
| Council for the Built Environment | 37,959 | - | - | 37,959 | 37,959 | 100% | 28,416 |
| Property Management Trading Entity | 682,426 | - | - | 682,426 | 682,426 | 100% | 646,849 |
| Construction SETA | 2,750 | - | - | 2,750 | 1,468 | 53% | 2,606 |
| Parliamentary Village Management Board | 8,198 | - | - | 8,198 | 8,198 | 100% | 7,771 |
| | **803,694** | **-** | **-** | **803,694** | **802,412** | **100%** | **752,986** |

# Annexures to the Financial Statements

for the year ended 31 March 2014

## ANNEXURE 1D

### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

| NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE | TRANSFER ALLOCATION | | | | EXPENDITURE | | | | 2012/13 |
|---|---|---|---|---|---|---|---|---|---|
| | Adjusted Appropriation Act | Roll Overs | Adjustments | Total Available | Actual Transfer | % of Available funds Transferred | Capital | Current | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 |
| **Transfers** | | | | | | | | | |
| Independent Development Trust | 50,000 | - | 50,000 | 100,000 | 100,000 | 100% | - | - | 50,800 |
| **TOTAL** | **50,000** | **-** | **50,000** | **100,000** | **100,000** | **100%** | **-** | **-** | **50,800** |

## ANNEXURE 1E

### STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

| FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2012/13 |
|---|---|---|---|---|---|---|---|
| | Adjusted Appropriation Act | Roll overs | Adjust-ments | Total Available | Actual Transfer | % of Available funds Transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| **Transfers** | | | | | | | |
| CommonwealthWar Graves Commission | 20,510 | - | - | 20,510 | 17,555 | 86% | 18,941 |
| **Total** | **20,510** | **-** | **-** | **20,510** | **17,555** | **86%** | **18,941** |

## ANNEXURE 1F

*STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS*

| NON-PROFIT INSTITUTIONS | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2012/13 |
|---|---|---|---|---|---|---|---|
| | Adjusted Appropriation Act | Roll overs | Adjustments | Total Available | Actual Transfer | % of Available funds transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| **Transfers** | | | | | | | |
| Non State Sector | 438,281 | - | - | 438,281 | 438,281 | 100% | 282,724 |
| Agrèment SA | - | - | - | - | 10,398 | - | - |
| **Total** | **438,281** | **-** | **-** | **438,281** | **448,679** | **102%** | **282,724** |

## ANNEXURE 1G

*STATEMENT OF TRANSFERS TO HOUSEHOLDS*

| HOUSEHOLDS | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2012/13 |
|---|---|---|---|---|---|---|---|
| | Adjusted Appropriation Act | Roll Overs | Adjust-ments | Total Available | Actual Transfer | % of Available funds Transferred | Appropriation Act |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| **Transfers** | | | | | | | |
| Households | 5,626 | - | 1,299 | 6,925 | 6,463 | 93% | 4,578 |
| **Total** | **5,626** | **-** | **1,299** | **6,925** | **6,463** | **93%** | **4,578** |

## ANNEXURE 1H

*STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED*

| NAME OF ORGANISATION | NATURE OF GIFT, DONATION OR SPONSORSHIP | 2013/14 | 2012/13 |
|---|---|---|---|
| | | R'000 | R'000 |
| **Received in kind** | | | |
| HAT Specialist | 2800 of 500ml Still water was donated for Inter-Regional sport tournament hosted by PLK in Sept 2012 | - | 8 |
| S&M Plumbing | Century City Vouchers x6 | 3 | - |
| **Subtotal** | | **3** | **8** |
| **Total** | | **3** | **8** |

## ANNEXURE 1I

*STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE*

| NATURE OF GIFT, DONATION OR SPONSORSHIP | 2013/14 | 2012/13 |
|---|---|---|
| | R'000 | R'000 |
| **Paid in cash** | | |
| Zibambeleni Old Age Home- Purchased Perishable Goods | 2 | - |
| Omega Old Age Home in Bloemfontein (Blankets and Catering) | - | 17 |
| Mandela Day at Mmabatho with Lonely Park Creche Learners | - | 3 |
| **TOTAL** | **2** | **20** |

## ANNEXURE 2A

### *STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31MARCH 2014 - LOCAL*

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2013 | Guarantees draw downs during the year | Guarantees repayments/ cancelled/ reduced/ released during the year | Revaluations | Closing balance 31March 2014 | Guaranteed interest for year ended 31 March 2014 | 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 |
| Standard Bank | Housing loans | 21 | 21 | - | 13 | - | 8 | - | - |
| Nedbank limited | | 18 | 18 | - | 18 | - | - | - | - |
| First Rand Bank | | 87 | 87 | - | 87 | - | - | - | - |
| ABSA | | 212 | 212 | - | 212 | - | - | - | - |
| Nedbank LTD (NBS) | | 104 | 104 | - | 87 | - | 17 | - | - |
| FNB Former Saambou | | 48 | 48 | - | 23 | - | 25 | - | - |
| Old Mutual (Ned/Perm) | | 31 | 31 | - | 18 | - | 13 | - | - |
| **Subtotal** | | **521** | **521** | **-** | **458** | **-** | **63** | **-** | **-** |
| **TOTAL** | | **521** | **521** | **-** | **458** | **-** | **63** | **-** | **-** |

### *STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31MARCH 2014 - FOREIGN*

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2013 | Guarantees draw downs during the year | Guarantees repayments/ cancelled/ reduced/ released during the year | Revaluations | Closing balance 31 March 2014 | Guaranteed interest for year ended 31 March 2014 | 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 |
| SA Institute of Architecture | Housing of UIA Conference | 5 445 | 1 766 | - | 2 118 | 352 | - | - | - |
| **Total** | | **5 445** | **1 766** | **-** | **2 118** | **352** | **-** | **-** | **-** |

# ANNEXURE 2B

## *STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2014*

| Nature of Liability | Opening Balance 1 April 2013 | Liabilities incurred during the year | Liabilities paid/ cancelled/ reduced during the year | Liabilities recoverable (Provide details hereunder) | Closing Balance 31March 2014 |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Claims against the Department** | | | | | |
| Liability Claims | 12,297 | - | 12,230 | - | 67 |
| Breach of Contract | 337 | 65 | 392 | - | 10 |
| Labour relation matters | - | 289 | - | - | 289 |
| **TOTAL** | **12,634** | **354** | **12,622** | **-** | **366** |

## ANNEXURE 3

### *CLAIMS RECOVERABLE*

| Government Entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|---|---|---|---|---|---|---|
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Departments** | | | | | | |
| Correctional Services | - | 19 | 27 | - | 27 | 19 |
| Defence | 904 | - | - | 904 | 904 | 904 |
| Health | - | 1,374 | - | - | - | 1,374 |
| Home Affairs | - | - | - | 18 | - | 18 |
| Human Settlement | - | - | 16 | - | 16 | - |
| Justice | - | - | 14 | - | 14 | - |
| Labour | 39 | - | 30 | 27 | 69 | 27 |
| Performance Monitoring and Evaluation | 2 | - | - | - | 2 | - |
| Provincial Departments | 94 | 216 | 31 | 123,916 | 125 | 124,132 |
| Rural Development | 16 | - | - | - | 16 | - |
| Science and Technology | - | 5 | - | - | - | 5 |
| Social Development | - | - | - | 39 | - | 39 |
| Statistics South Africa The Presidency | 1 | 76 | | 6 | 1 | 82 |
| Transport | - | 96 | - | - | - | 96 |
| Water Affairs | - | - | - | 35 | - | 35 |
| Woman and children | - | - | 2 | 3 | 2 | 3 |
| Energy | - | - | - | 19 | - | 19 |
| | **1,056** | **1,786** | **120** | **124,967** | **1,176** | **126,753** |
| **Other Government Entities** | | | | | | |
| Public Works (PMTE) | 6,543 | 61,895 | 2 | 20 | 6,545 | 61, 915 |
| National Prosecuting Authority | 27 | - | - | - | 27 | - |
| | **6,570** | **61,895** | **2** | **20** | **6,572** | **61, 915** |
| **TOTAL** | **7,626** | **63,681** | **122** | **124, 987** | **7,748** | **188, 668** |

# ANNEXURE 4

## *INTER-GOVERNMENT PAYABLES*

| GOVERNMENT ENTITY | Confirmed balance outstanding | | Unconfirmed balance outstanding | | TOTAL | |
|---|---|---|---|---|---|---|
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **DEPARTMENTS** | | | | | | |
| **Current** | | | | | | |
| Defence | - | 504 | - | - | - | 504 |
| Government Printing Works | 719 | 118 | - | 50 | 719 | 168 |
| Justice and Constitutional Development | 3,825 | 6,024 | - | - | 3,825 | 6,024 |
| National Treasury | 5 | - | - | 6 | 5 | 6 |
| PALAMA | 302 | - | - | 756 | 302 | 756 |
| Office of Public Service Commission | - | 148 | - | - | - | 148 |
| Rural Dev and Land Reform | 16 | 10 | - | - | 16 | 10 |
| Social Development | - | 22 | - | - | - | 22 |
| Higher Education | 182 | - | - | - | 182 | - |
| Labour | 41 | - | - | | 41 | - |
| Minerals Resources | 15 | - | - | - | 15 | - |
| Transport | 48 | 14 | - | - | 48 | 14 |
| Water Affairs | 10 | - | - | - | 10 | - |
| Department Public Works (Free State) | 70 | - | - | - | 70 | - |
| Eastern Cape Sport, Recreation, Arts and Culture | - | - | - | 1 | - | 1 |
| Department Health (Free State) | 23 | - | - | - | 23 | - |
| Department Health (North W) | 9 | - | - | - | 9 | - |
| Deeds Office | 12 | - | - | - | 12 | - |
| Eastern Cape Health | - | - | - | 24 | - | 24 |
| Gauteng Department of Roads and Transport | - | - | - | 459 | - | 459 |
| Human Settlement | 26 | - | - | - | 26 | - |
| **Total** | **5,303** | **6,840** | | **1,295** | **5,303** | **8,135** |

### *INTER-GOVERNMENT PAYABLES (CONTINUED)*

| GOVERNMENT ENTITY | Confirmed balance outstanding | | Unconfirmed balance outstanding | | TOTAL | |
|---|---|---|---|---|---|---|
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **OTHER GOVERNMENT ENTITIES** | | | | | | |
| **Current** | | | | | | |
| PMTE | 89,462 | 78,229 | - | 5,236 | 89,462 | 83,465 |
| IDT | 282 | 508 | - | - | 282 | 508 |
| AGSA | 10,084 | 4,178 | - | - | 10,084 | 4,178 |
| National intelligence agency | 1 | - | - | - | 1 | - |
| SITA | 729 | - | - | - | 729 | - |
| SIU | 2,812 | - | - | - | 2,812 | - |
| **Total other government entities** | **103,370** | **82,914** | **-** | **5,236** | **103,370** | **88,150** |
| **TOTAL** | **108,673** | **89,754** | **-** | **6,531** | **108,673** | **96,286** |

## ANNEXURE 5

### *INVENTORY*

| Inventory | *Note* | Quantity | 2013/14 | Quantity | 2012/13 |
|---|---|---|---|---|---|
| | | | R'000 | | R'000 |
| Opening balance | | 695,649 | 7,079 | 580,803 | 5,674 |
| Add/(less) adjustments to prior years balances | | (2,765) | (114) | - | 4 |
| Add: Additions/Purchases – Cash | | 992,960 | 35,889 | 1,064,142 | 38,129 |
| Add: Additions - Non-cash | | 1,007 | - | 6,698 | 184 |
| (Less): Disposals | | (26,310) | (349) | (41) | (2) |
| (Less): Issues | | (1,152,223) | (39,281) | (961,535) | (31,833) |
| Add/(Less): Adjustments | | 117,055 | 426 | 5,582 | 456 |
| Weighted Average Price Variance | | - | 3,724 | - | (5,533) |
| **Closing balance** | | **625,373** | **7,374** | **695,649** | **7,080** |

## ANNEXURE 6

### *MOVEMENT IN CAPITAL WORK IN PROGRESS*

| MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2014 | Opening balance | Current year Capital WIP | Completed Assets | Closing balance |
|---|---|---|---|---|
| **HERITAGE ASSETS** | **-** | **4,087** | **(1,865)** | **2,222** |
| Heritage assets | - | 4,087 | (1,865) | 2,222 |
| | | | | |
| **BUILDING AND OTHER FIXED STRUCTURE** | **12,012,867** | **431,121** | **(12,039,384)** | **404,604** |
| Dwellings | - | 27,822 | (6,245) | 21,577 |
| Non-residential buildings | 12,012,867 | 163,727 | (12,025,296) | 151,298 |
| Other fixed structure | - | 239,572 | (7,843) | 231,729 |
| | | | | |
| **LAND AND SUBSOIL ASSETS** | **-** | **186,826** | **(158,053)** | **28,773** |
| Land | - | 186,826 | (158,053) | 28,773 |
| **TOTAL** | **12,012,867** | **622,034** | **(12,199,302)** | **435,599** |

## ANNEXURE 7A

### *INTER-ENTITY ADVANCES PAID (note 11)*

| | Confirmed balance | | Unconfirmed balance | | Total | |
|---|---|---|---|---|---|---|
| | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 | 31/03/2014 | 31/03/2013 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **PUBLIC ENTITIES** | | | | | | |
| Independent Development Trust | 18,138 | 26,576 | - | - | 18,138 | 26,576 |
| Government Communication Information Systems | 754 | 1,072 | - | - | 754 | 1,072 |
| **SUB TOTAL** | **18,892** | **27,648** | **-** | **-** | **18,892** | **27,648** |
| | | | | | | |
| **OTHER ENTITIES** | | | | | | |
| Software Licenses | 9,252 | - | - | - | 9,252 | - |
| **SUB TOTAL** | **9,252** | **-** | **-** | **-** | **9,252** | **-** |
| **TOTAL** | **28,144** | **27,648** | **-** | **-** | **28,144** | **27,648** |

# Annexures to the Financial Statements

for the year ended 31 March 2014

## ANNEXURE 7B

### *INTER-ENTITY ADVANCES RECEIVED (note 16)*

| | Confirmed balance | | Unconfirmed balance | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2014 | 31/03/2013 | 31/12/2014 | 31/03/2013 | 31/12/2014 | 31/03/2013 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **NATIONAL DEPARTMENTS** | | | | | | |
| **Current** | | | | | | |
| Higher Education and Training | 34,217 | 46,806 | - | - | 34,217 | 46,806 |
| **Subtotal** | **34,217** | **46,806** | - | - | **34,217** | **46,806** |
| **PROVINCIAL DEPARTMENTS** | | | | | | |
| Eastern Cape Department of Roads and Public Works | 9,900 | 10,000 | - | - | 9,900 | 10,000 |
| **Subtotal** | **9,900** | **10,000** | - | - | **9,900** | **10,000** |
| **PUBLIC ENTITIES** | | | | | | |
| Independent Development Trust | - | 674 | - | - | - | 674 |
| **Subtotal** | - | **674** | - | - | - | **674** |
| **TOTAL** | **44,117** | **57,480** | - | - | **44,117** | **57,480** |

# Property Management Trading Entity

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

# Index

The reports and statements set out below comprise the annual financial statements: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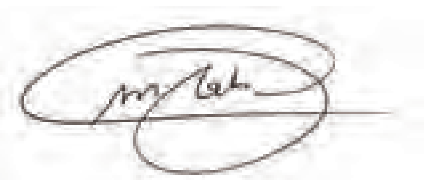

**Mr. Mziwonke Dlabantu**

**Director-General**

# Report of the Auditor-General to Parliament on the Property Management Trading Equity

for the year ended 31 March 2014

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Property Management Trading Entity (PMTE) set out on pages 280 to 347, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## BASIS FOR QUALIFIED OPINION

### Irregular expenditure

6. I was unable to obtain sufficient and appropriate audit evidence for irregular expenditure as the entity did not have an adequate system for identifying and recognising all irregular expenditure. Furthermore, the irregular expenditure amount of the entity was based on actual payments and not those recorded when a transaction, condition or event linked to the non-compliance was recognised as expenditure in the statement of financial performance in accordance with the SA Standards of GRAP. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the irregular expenditure stated at R34 417 205 000 and the restated corresponding figures stated at R3 848 600 000 in note 26 to the financial statements.

### Operating leases

7. I was unable to obtain sufficient appropriate audit evidence that management had accurately accounted for operating leases due to the status of the accounting records. The amounts disclosed were based on data from the manual lease schedules, which did not agree in all instances with information per the signed lease agreements. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the following items in the financial statements:

   Operating lease assets and receivables

   - Operating lease assets stated at R886 212 000 (2013: R807 852 000) in note 6.1
   - Prepaid expenses stated at R559 081 000 (2013: R752 561 000) in note 3
   - Operating lease asset commitments stated at R7 235 528 000 (2013: R7 383 331 000) in disclosure note 6.1

   Operating lease expenditure and associated liabilities

   - Operating lease liabilities stated at R847 349 000 (2013: R809 658 000) in note 6.2
   - Operating lease expenditure stated at R3 346 389 000 (2013: R3 158 730 000) in note 20
   - Provisions stated at R2 211 377 000 (2013: R1 741 624 000) in note 16
   - Operating lease commitments stated at R7 128 905 000 (2013: R7 407 717 000) in disclosure note 6.2

### Accruals

8. The trading entity did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1: *Presentation of financial statements*. As the entity did not have adequate systems to identify and record outstanding payments for goods and services received but not yet paid at year-end, I was not able to determine the full extent of the understatement of accruals, as it was impracticable to do so.

# Report of the Auditor-General to Parliament on the Property Management Trading Equity

for the year ended 31 March 2014

## Qualified opinion

9. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Property Management Trading Entity as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

## Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Transfer of functions

11. The Department of Public Works transferred certain property management functions, including the related assets, liabilities, and staff, to the PMTE as at 1 April 2013. The effect of this transfer is detailed in note 36 to the financial statements.

## Restatement of corresponding figures

12. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2013 were restated as a result of errors discovered during 2014 in the financial statements of the PMTE at, and for the year ended, 31 March 2013.

## Material impairments

13. As disclosed in note 3 to the financial statements, potential losses of R649 000 000 were incurred as a result of impairments of irrecoverable trade debtors.

## Going concern

14. Note 1.5 to the financial statements indicates that as of 31 March 2014, the PMTE had a bank overdraft of R433 000 000 and the current liabilities exceeded the current assets.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

16. I did not audit performance against predetermined objectives, as the PMTE does not report separately on performance against predetermined objectives. The performance against predetermined objectives is reported in the annual report of the Department of Public Works.

## Compliance with legislation

17. I performed procedures to obtain evidence that the trading entity had complied with applicable legislation regarding financial matters, financial management, and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### Strategic planning and performance management

18. The accounting officer of the Department of Public Works did not formulate a policy and reporting framework for the head of the trading entity, in accordance with the requirements of treasury regulation 19.3.1.

### Financial statements, performance report, and annual report

19. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 40(1)(a) and (b) of the PFMA. The uncorrected material misstatements and supporting records that were not provided form the basis for the qualified audit opinion on the financial statements.

### Procurement and contract management

20. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements, as the entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to evaluate compliance.

21. Goods and services with a transaction value below R500 000 were, in certain instances, procured without obtaining the required number of price quotations, as required by treasury regulation 16A6.1.

22. Goods and services with a transaction value above R500 000 were, in certain instances, procured without inviting competitive bids, as required by treasury regulation 16A6.1. A number of deviations were approved even though it was not impractical to invite competitive bids, in contravention of treasury regulation 16A6.4.

23. Invitations for competitive bids were not always advertised for the required minimum period of 21 days, as required by treasury regulation 16A6.3(c).

24. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act of South Africa, 2000 (Act No. 38 of 2000) and CIDB regulation 18.

# Report of the Auditor-General to Parliament on the Property Management Trading Equity

## for the year ended 31 March 2014

25. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were always advertised in the government tender bulletin, as required by treasury regulation 16A6.3(c).

### Expenditure management

26. Effective steps were not taken to prevent irregular and fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.

### Revenue management

27. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA and treasury regulations 11.2.1, 15.10.1.2(a) and 15.10.1.2(e).

28. Immovable state property was not let at market-related tariffs, in contravention of treasury regulation 16A7.4.

### Asset management and liability management

29. The entity's main bank account was overdrawn throughout the reporting period, in contravention of treasury regulation 19.2.3.

### Consequence management

30. Effective and appropriate disciplinary steps were not, in certain instances, taken against officials who had made or permitted irregular expenditure and fruitless and wasteful expenditure, as required by section 38(1)(h)(iii) of the PFMA and treasury regulation 9.1.3.

31. Some allegations of corruption, improper conduct or failure to comply with the supply chain management system had not yet been investigated, as required by treasury regulation 16A9.1(b).

### Internal control

32. I considered internal control relevant to my audit of the financial statements and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on non-compliance with legislation included in this report.

### Leadership

33. Certain critical positions were filled by acting incumbents for the entire financial year. Instability in key leadership positions for the first part of the financial year thus had a negative impact on effective leadership in the trading entity.

34. The leadership did not effectively oversee financial and performance reporting and compliance as well as related internal controls.

# Report of the Auditor-General to Parliament on the Property Management Trading Equity

for the year ended 31 March 2014

35. The leadership did not apply effective consequence management for transgressions with regard to non-performance and non-compliance throughout the financial year.

36. The leadership did not, in all instances, establish and communicate policies and procedures to enable and support the understanding and execution of internal objectives, processes and responsibilities.

### Financial and performance management

37. 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.

38. Implemented controls over daily and monthly processing and reconciling of transactions were not effective in all instances.

39. Regular, accurate, and complete financial and performance reports that were supported and evidenced by reliable information were not prepared throughout the year.

40. The reviewing and monitoring of compliance with applicable laws and regulations were ineffective.

### Governance

41. Leadership must continue to focus on expanding capacity in the risk management and internal audit units to ensure optimal functioning in terms of addressing of risks and internal control deficiencies across all locations within the department.

## OTHER REPORTS

### Investigations

42. Numerous internal allegations, mainly relating to transgressions with respect to supply chain management, potential fraud, and financial misconduct, are being investigated on an ongoing basis.

43. An ongoing investigation is being conducted to probe the alleged abuse of urgent and emergency procurement as well the utilisation of sole suppliers. The investigation aims to establish whether there was collusion between officials and service providers and to determine any reckless spending of funds.

# Report of the Auditor-General to Parliament on the Property Management Trading Equity

for the year ended 31 March 2014

The investigation is being conducted in phases, with 19 investigations underway, of which 15 have been finalised and are in the reporting phase. The department is instituting disciplinary action in respect of the finalised reports on an ongoing basis.

Auditor-General

**Pretoria**

**6 August 2014**

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# Statement of Financial Position

as at 31 March 2014

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Receivables from exchange transactions | 3 | 1 651 978 | 2 440 796 |
| Receivables from non-exchange transactions | 4 | 90 115 | 1 730 |
| Construction contracts and receivables | 5 | - | 349 275 |
| Operating lease assets | 6 | 886 212 | 807 852 |
| Cash and cash equivalents | 7 | 353 | 829 |
| Finance lease receivables | 12 | 681 | 652 |
| | | **2 629 339** | **3 601 134** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 8 | 6 377 686 | - |
| Investment property | 9 | 3 947 603 | - |
| Heritage assets | 10 | 4 | - |
| Intangible assets | 11 | 1 | - |
| Finance lease receivables | 12 | 12 958 | 12 049 |
| | | **10 338 252** | **12 049** |
| **Total Assets** | | **12 967 591** | **3 613 183** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Operating lease liabilities | 6 | 847 349 | 809 658 |
| Cash and cash equivalents (bank overdraft) | 7 | 433 108 | 1 402 323 |
| Payables from exchange transactions | 13 | 662 900 | 1 285 476 |
| Retention liabilities | 14 | 225 708 | 248 011 |
| Employee benefit obligations | 15 | 88 495 | 1 730 |
| Provisions | 16 | 2 211 377 | 1 741 624 |
| Finance lease obligation | 17 | 681 | 652 |
| | | **4 469 618** | **5 489 474** |
| **Non-Current Liabilities** | | | |
| Retention liabilities | 14 | 13 578 | 32 293 |
| Finance lease obligation | 17 | 12 958 | 12 049 |
| | | **26 536** | **44 342** |
| **Total Liabilities** | | **4 496 154** | **5 533 816** |
| **Net Assets/(Liabilities)** | | **8 471 437** | **(1 920 633)** |
| **Net Asset Reserves** | | | |
| Accumulated surplus/(deficit) | | 8 471 437 | (1 920 633) |
| **Net Assets/(Liabilities)** | | **8 471 437** | **(1 920 633)** |

# Statement of Financial Performance

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| Revenue from exchange transactions | **18** | 9 584 166 | 9 105 304 |
| Revenue from non-exchange transactions | **19** | 1 403 718 | 673 233 |
| **Total revenue** | | **10 987 884** | **9 778 537** |
| | | | |
| Operating expenses | **20** | 7 504 017 | 9 805 487 |
| Interest expense | **21** | 2 739 | 1 880 |
| Employee costs | **22** | 621 468 | 17 869 |
| **Total expenses** | | **8 128 224** | **9 825 236** |
| **Surplus/(deficit) for the year** | | **2 859 660** | **(46 699)** |

# Statement of Changes in Net Assets

## for the year ended 31 March 2014

| | Note | Accumulated surplus/(deficit) R'000 | Total net assets R'000 |
|---|---|---|---|
| Opening balance as previously reported | | (1 122 253) | (1 122 253) |
| *Adjustments* | | | |
| Prior period errors | **32** | (751 681) | (751 681) |
| **Balance at 01 April 2012 as restated** | | **(1 873 934)** | **(1 873 934)** |
| *Changes in net assets* | | | |
| Prior period errors | **32** | (200 149) | (200 149) |
| Surplus for the year as previously stated | | 153 450 | 153 450 |
| Total changes: Deficit for the year as restated | | (46 699) | (46 699) |
| *Adjustments* | | | |
| Prior period errors | **32** | (951 830) | (951 830) |
| **Balance at 01 April 2013** | | **(1 920 633)** | **(1 920 633)** |
| *Changes in net assets* | | | |
| Surplus for the year | | 2 859 660 | 2 859 660 |
| Net gain from transfer of functions | **36** | 7 532 410 | 7 532 410 |
| **Balance at 31 March 2014** | | **8 471 437** | **8 471 437** |

# Cash Flow Statement

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Accommodation charges - leasehold inter-governmental | | 3 311 501 | 2 858 205 |
| Accommodation charges - freehold inter-governmental | | 6 469 672 | 3 424 556 |
| Accommodation charges - private | | 34 492 | - |
| Augmentation | | 682 426 | 646 849 |
| Fines | | 5 485 | 7 125 |
| Interest receipts | | 127 | 1 022 |
| Management fee on municipal services | | 168 394 | 157 622 |
| Municipal services recovered | | 3 434 051 | 2 876 257 |
| Recoveries | | 27 239 | 793 |
| Rental deposits received from customers | | 15 | - |
| Servitude rights and other receipts | | 196 | - |
| Construction receipts | | - | 3 154 869 |
| | | **14 133 598** | **13 127 298** |
| **Payments** | | | |
| Advisory services | | 4 461 | 1 930 |
| Bank charges | | 131 | 122 |
| Bursaries | | - | 2 362 |
| Cleaning and gardening | | 170 922 | 158 380 |
| Interest expense | | 1 046 | 308 |
| Fines and penalties | | 1 | - |
| Maintenance - planned (current) | | 1 466 604 | - |
| Construction cost | | 349 276 | 3 874 568 |
| Maintenance - unplanned (day-to-day) | | 926 127 | 2 290 735 |
| Municipal services | | 3 315 640 | 2 935 200 |
| Municipal deposits paid | | 3 167 | 2 013 |
| Operating leases | | 3 424 532 | 3 109 723 |
| Property rates | | 799 173 | 788 675 |
| Rent on land | | 12 757 | 12 221 |
| Security | | 44 082 | 38 439 |
| Tender advertisements | | 12 | 41 |
| Disallowances | | 46 527 | 60 486 |
| Auxiliary payments | | 82 | - |
| | | **10 564 540** | **13 275 203** |
| **Net cash flows from operating activities** | **23** | **3 569 058** | **(147 905)** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (2 600 751) | - |
| Proceeds on disposal of non-current assets | | 432 | - |
| **Net cash flows from investing activities** | | **(2 600 319)** | **-** |

# Cash Flow Statement

## for the year ended 31 March 2014

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (755) | (723) |
| Finance lease receipts | | 755 | 723 |
| **Net cash flows from financing activities** | | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | | **968 739** | **(147 905)** |
| Cash and cash equivalents at the beginning of the year | | (1 401 494) | (1 253 589) |
| **Cash and cash equivalents at the end of the year** | **7** | **(432 755)** | **(1 401 494)** |

# Statement of Comparison of Budget and Actual Amounts

## for the year ended 31 March 2014

Budget on Cash Basis

| | 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 |
| **Receipts** | | | | | |
| Accommodation charges - leasehold inter-governmental | 3 424 977 | 7 366 | **3 432 343** | 3 311 501 | **(120 842)** |
| Accommodation charges - freehold inter-governmental | 6 635 854 | (38 468) | **6 597 386** | 6 469 672 | **(127 714)** |
| Accommodation charges - freehold private | - | 35 000 | **35 000** | 34 492 | **(508)** |
| Augmentation | 682 426 | - | **682 426** | 682 426 | **-** |
| Fines | 5 000 | - | **5 000** | 5 485 | **485** |
| Interest receipts | 1 001 | - | **1 001** | 127 | **(874)** |
| Management fee on municipal services | 136 570 | 30 902 | **167 472** | 168 394 | **922** |
| Municipal services recovered | 3 310 062 | 151 882 | **3 461 944** | 3 434 051 | **(27 893)** |
| Recoveries | - | - | **-** | 27 239 | **27 239** |
| Rental deposits | - | - | **-** | 15 | **15** |
| Other receipts | - | - | **-** | 196 | **196** |
| | **14 195 890** | **186 682** | **14 382 572** | **14 133 598** | **(248 974)** |
| **Payments** | | | | | |
| Advisory services | 42 532 | (36 926) | **5 606** | 4 461 | **(1 145)** |
| Bank charges | 75 | - | **75** | 131 | **56** |
| Bursaries | 7 000 | (7 000) | **-** | - | **-** |
| Cleaning and gardening | 235 000 | (38 000) | **197 000** | 170 922 | **(26 078)** |
| Interest expense | 7 222 | (122) | **7 100** | 1 046 | **(6 054)** |
| Fines and penalties | - | - | **-** | 1 | **1** |
| Maintenance - planned (current) | 1 906 801 | (519 562) | **1 387 239** | 1 466 604 | **79 365** |
| Maintenance - unplanned (day-to-day) | 812 500 | 124 934 | **937 434** | 926 127 | **(11 307)** |
| Municipal services | 3 310 062 | 151 882 | **3 461 944** | 3 315 640 | **(146 304)** |
| Municipal deposits paid | - | - | **-** | 3 167 | **3 167** |
| Operating leases | 3 412 277 | 7 366 | **3 419 643** | 3 424 532 | **4 889** |
| Property rates | 788 564 | 297 808 | **1 086 372** | 799 173 | **(287 199)** |
| Rent on land | 12 700 | - | **12 700** | 12 757 | **57** |
| Security | 40 000 | 5 000 | **45 000** | 44 082 | **(918)** |
| Tender advertisements | 90 | - | **90** | 12 | **(78)** |
| Disallowances | - | 20 000 | **20 000** | 46 527 | **26 527** |
| Auxiliary payments | - | - | **-** | 82 | **82** |
| | **10 574 823** | **5 380** | **10 580 203** | **10 215 264** | **(364 939)** |
| **Capital movements** | | | | | |
| Recoverable capital expenditure* | 2 888 003 | (38 468) | **2 849 535** | 2 131 960 | **(717 575)** |
| Non-recoverable capital expenditure | 733 064 | 219 770 | **952 834** | 818 067 | **(134 767)** |
| Proceeds on sale of assets | - | - | - | (432) | (432) |
| | **3 621 067** | **181 302** | **3 802 369** | **2 949 595** | **(852 774)** |
| **Cash surplus** | **-** | **-** | **-** | **968 739** | **968 739** |

Refer to note 34 for reconciliations and explanations for material adjustments to the approved budget and budget differences.

* This amount includes R349 million relating to construction costs incurred in the prior year but settled in the current year.

# Notes to the Annual Financial Statements
for the year ended 31 March 2014

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

### 1.1. *Statement of Compliance*

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 Public Finance Management Act (PFMA) (Act No.1 of 1999 as amended by Act 29 of 1999).

### 1.2. *Standards of GRAP issued but not yet effective*

Listed below are the Standards of GRAP that have been issued by the ASB, but where the Minister of Finance has not determined an effective date. The standards have not been early adopted by the PMTE. The PMTE intends to adopt the standards when they become effective and applicable.

#### 1.2.1. Standards utilised in developing accounting policies and disclosures

PMTE has utilized the principles of the Standard of GRAP on *Related party disclosures* (GRAP 20) in disclosing related party relationships and transactions, the Standard of GRAP on *Transfer of Functions between Entities under Common Control* (GRAP 105), in accounting for the transfer of functions from the NDPW (main account) to the trading entity, and the Standard of GRAP on *Statutory Receivables* (GRAP 108) to account for statutory receivables applicable to the PMTE.

As a result, there will be no impact on the financial statements when the Standards becomes effective.

#### 1.2.2. Other standards not yet effective

Accounting policies have not been developed for the following Standards as the transactions and events within the scope of these Standards are not yet applicable:

*GRAP 18 - Segment reporting*

Segments are identified by the way in which information is reported to management, both for purpose of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the PMTE. The major classifications of activities identified in budget documentation will usually reflect the segments for which the PMTE reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the PMTE that provides specific outputs or achieves particular operating objectives that are in line with the PMTE's overall mission. Geographical segments relate to specific outputs generated or particular objectives achieved, by the PMTE within a particular region.

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.

It is unlikely that the following Standards and/or amendments to Standards, that have been issued but are not yet effective, will have a material impact on the financial statements of the PMTE once they become effective:

| | |
|---|---|
| GRAP 106 | Transfer of functions of entities not under common control |
| GRAP 107 | Mergers |
| IGRAP 11 | Consolidation - Special purpose entities |
| IGRAP 12 | Jointly controlled entities - Non monetary contributions by ventures |
| IGRAP 17 | Service concessions agreements where a grantor controls a significant residual interest in an asset |
| GRAP 32 | Service concessions agreements: Grantor |

### *1.3. Basis of preparation*

The annual financial statements have been prepared on the accrual basis using historical cost as a measurement basis, unless another measurement basis is required by a Standard of GRAP, as specified in the significant accounting policies set out below.

### *1.4. Functional Currency*

The financial statements are prepared in South African Rand ("R") which is also the functional currency of the PMTE. Values are rounded to the nearest thousand ("R'000") unless otherwise indicated.

### *1.5. Going concern*

The financial statements have been prepared on the going concern basis. Although the PMTE has a bank overdraft of R433 million as at 31 March 2014 (R1.4 billion for 31 March 2013) and the current liabilities exceed the current assets, management maintains their assessment that the PMTE is able to continue on a going concern basis into the foreseeable future. The PMTE operates under the control and support of the National Department of Public Works ("NDPW") and National Treasury is aware of the PMTE's overdraft position. Management is implementing a turnaround strategy for the entity.

### *1.6. Off setting*

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### *1.7. 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 are disclosed in note 32.

### *1.8. Significant judgement and sources of estimation uncertainty*

#### 1.8.1. Control of immovable assets

In terms of the Government Immovable Asset Management Act (GIAMA), the NDPW is the custodian of immovable assets that vests in national government, except in cases where custodian functions were assigned to another Minister by virtue of legislation before the commencement of GIAMA. With effect from1 April 2013, the NDPW transferred certain of the property management functions to the PMTE, which operates within the administration of the NDPW. In substance, due to the transfer of function, the PMTE is in control of the immovable assets and collects all revenue relating to leases and incurs expenses relating to the leases of the immovable assets. However, the custodianship of the immovable assets and related legal titles remains with the NDPW.

#### 1.8.2. Assets and liabilities related to the transfer of functions

All assets and liabilities related to the transfer of functions are recognised and measured in accordance with the transitional provisions as per Directive 2 issued by the ASB in May 2010.

For initial measurement purposes, assets acquired through the transfer of functions is measured at their carrying amounts as per the records of the NDPW. Where those carrying amounts do not represent GRAP compliant amounts, the carrying amounts will be estimated using various measurement bases, depending on the type of asset or liability. The PMTE will not comply with the requirements of the specific standards of GRAP for those assets and liabilities until the transitional provisions expire on 1 April 2016.

#### 1.8.3. Useful life and residual life

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.

Refer to note 2.2 for the accounting policies on estimated useful lives for property, plant and equipment, note 2.3 for investment property and note 2.4 for intangible assets.

#### 1.8.4. Classification of accommodation charges as leaser 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 by-laws. The ministerial by-laws allow for the ministers to stay free of charge in the first property provided to him or her. For the second property, the ministerial by-laws requires the minister to be charged a percentage of his or her salary as a rental fee. This rental fee does not approximate the service value of the property provided to the minister. Therefore, the receivable is classified as a statutory receivable and the revenue is classified as a non-exchange transaction.

### *1.8. Significant judgement and sources of estimation uncertainty (continued)*

### 1.8.5. 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 risk 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 are of the opinion that even though a lease may be extended for one or two more terms, the total term would still not be considered to be a major part of the economic life of the asset.

As formal lease agreements between PMTE and its client departments do not exist, the same terms and conditions included in the underlying lease agreements with the landlord is used to assess the classification of the sub-lease.

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 is diminished.

### 1.8.6. Impairment of receivables measured at cost or amortised cost

The full voted funds for accommodation from client departments is 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.

### *1.8. Significant judgement and sources of estimation uncertainty (continued)*

### 1.8.7. Classification of non-financial assets

Judgement is applied when classifying immovable assets between property, plant and equipment and investment property. Consideration is given to the type of property, why the property is held by national government, and the occupant. The main factor considered is whether PMTE holds the assets either for service delivery (in accordance with government objectives), resulting in property, plant and equipment, or for capital appreciation and/or earning of rentals, resulting in investment property. 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 for capital appreciation.

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 as 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.

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; and
- The restrictions on the use of the property by PMTE.

The PMTE, as a trading entity of the NDPW, 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 it to deliver on its mandate, the PMTE may recover an accommodation charge on certain properties it holds. The accommodation charge is not commercially based, but rather to ensure that the PMTE is operating at a break-even level. 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.

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 office accommodation, the heritage asset is accounted for as property, plant and equipment under the Standard of GRAP on *Property, Plant and Equipment.*

### *1.8. Significant judgement and sources of estimation uncertainty (continued)*

#### 1.8.8. Principal versus agent relationship

The PMTE's mandate is to manage the accommodation and infrastructure needs of national departments. 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.

Should the PMTE be unable to satisfy the accommodation needs of a particular user 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; and apply the lease agreement to the occupant /sub-leasee.

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 acting as principal with regards to the sub-lease arrangement.

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 regarded as revenue for the PMTE.

#### *1.8.9. 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 favorable 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.

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 NDPW. 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. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### *2.1. Transfer of functions between entities under common control*

The transfers of functions from entities under common control are accounted for by the PMTE by recognising the assets acquired and liabilities assumed at provisional amounts at the date of transfer. Any difference between the assets and liabilities recognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where assets and liabilities were acquired through a transfer of functions, the entity is not required to measure those assets and liabilities for a period of three years from the effective date of the transfer of functions or the effective date of the standard, whichever Is later.

The PMTE acquires the following functions and the related assets and liabilities from the NPDW on 1 April 2013:

- Asset Investment Management;
- Property Management;
- Facilities Management;
- Regional Key Account Management; and
- Regional Finance Units.

Until such time as the measurement period expires, and the items of assets and liabilities associated with the transfer of functions are recognised and measured, in accordance with the applicable Standard of GRAP, the PMTE does not need to comply with the Standards of GRAP on:

| | |
|---|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 4 | The Effects of Changes in Foreign Exchange Transactions |
| GRAP 13 | Leases |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |

The exemption for applying the measurement requirements of the relevant Standards of GRAP implies that any associated presentation and disclosure requirements don't need to be complied with for the relevant assets and liabilities in accordance with the requirements of the following applicable Standards of GRAP:

| | |
|---|---|
| GRAP 17 | Property, plant and equipment |
| GRAP 103 | Heritage assets |
| GRAP 16 | Investment property |
| GRAP 102 | Intangible assets |
| GRAP 25 | Employee benefits |
| GRAP 19 | Provisions, contingent liabilities and contingent assets |
| GRAP 13 | Leases |

### 2.1. *Transfer of functions between entities under common control (continued)*

The provisional amounts used to recognise the assets and liabilities will be restated once they can be accurately determined. Only then will subsequent measurement requirements be applicable.

Classes of assets and useful lives are preliminary and will only be finalised once the assets transferred have been verified and valued. However, the measurement period exemption shall not exceed the later of three years from the effective date of the Standard or the transfer date.

### 2.2. *Property, plant and equipment*

Property, plant and equipment (including infrastructure assets) are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, 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.

Items of property, plant and equipment are stated initially 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 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. Trade discounts and rebates are deducted in arriving at the cost.

With the exception of items of assets acquired through the transfer of functions (refer to note 2.1), where property, plant and equipment is acquired through a non-exchange transaction, its cost is its fair value as at the 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 benefits associated with the item will flow to the PMTE and the cost of that item 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 assets when they are in the condition necessary for them to be capable of operating in the manner intended by management.

Assets under construction are ready for their intended use once a completion certificate or occupation certificate has been issued. At this point the asset is transferred to an item of property, plant and equipment.

## 2.2. *Property, plant and equipment (continued)*

If a part of an item of property, plant and equipment is replaced, the carrying amount of the existing part is derecognised and the value of the new part is recognised.

Major spare parts and stand-by equipment that are expected to be used for more than one period are included in property, plant, and equipment. In addition, spare parts and stand-by 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 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 (refer to accounting policy note 2.5) assessed as having a dual function of being a heritage asset and providing accommodation services are recognised and disclosed in terms of the Standard of GRAP on *Property, Plant and Equipment* (GRAP 17) and not the Standard of GRAP on *Heritage Assets* (GRAP 103), if a significant portion of the heritage asset is utilised for office accommodation.

The useful life, depreciation method and residual value for property, plant and equipment are reviewed annually. Any changes are recognised as a change in accounting estimates in the surplus or deficit.

In terms of the transitional provisions set out in Directive 2, depreciation on property, plant and equipment will only commence once the deemed carrying amount of the transferred assets has been determined. Depreciation and provisional amounts will be retrospectively adjusted to the period when the transfer of functions was effective.

The useful lives of items of property, plant and equipment have been assessed as follows:

| **Item** | **Average useful life** |
|---|---|
| Immovable properties | |
| ▪ Low rise buildings (up to 4 floors) | 12 - 35 years |
| ▪ High rise buildings (more than 4 floors) | 40 - 60 years |
| ▪ Warehouse / garages / storerooms | 40 - 60 years |
| ▪ Prisons | 100 years |
| ▪ Barracks | 12 - 35 years |
| ▪ Dwellings | 40 - 60 years |

## 2.2. *Property, plant and equipment (continued)*

| Item | Average useful life |
|---|---|
| Immovable properties | |
| ▪ 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 - 35 years |
| Dual purpose heritage assets | indefinite useful life |
| Furniture and office equipment | 5 - 7 years |
| Vehicles | 4 - 7 years |
| Other machinery and equipment | 5 -10 years |
| Computer equipment | 3 - 5 years |

The PMTE shall assess annually at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the PMTE shall estimate the recoverable service amount or the recoverable amount for non-cash generating and cash generating assets respectively. An impairment loss is recognised where the carrying amount exceeds recoverable service amount or recoverable amount.

The PMTE shall assess annually at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the PMTE shall estimate the recoverable service amount or recoverable amount of that asset. An 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 or the asset's recoverable 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 that 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 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.

### *2.3. 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;
- 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.

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 the surplus or deficit.

With the exception of assets acquired through a transfer of functions (refer to note 2.1), where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Land held for a currently undetermined use is recognised in accordance with the requirements of the Standard of GRAP on *Investment Property* until such time as the use of the land has been determined. Once a use has been determined, the land will be reclassified accordingly.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Vacant land is not depreciated.

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.

| **Item** | **Useful life** |
|---|---|
| Vacant land | Indefinite |
| Immovable properties* | 12 - 100 years |

* Refer to note 2.2 for detail breakdown of the useful lives of the immovable properties.

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.

### *2.3. Investment property (continued)*

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 2.2).

### *2.4. Intangible assets*

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the PMTE and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the PMTE or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the PMTE; and
- the cost or fair value of the asset can be measured reliably.

Where the PMTE acquires the rights to use an asset, such as servitudes, other than exercising its rights through legislation, it classifies these as intangible assets.

Intangible assets are initially recognised at cost.

With the exception of assets acquired through the transfer of functions (refer to note 2.1), where an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

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.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is calculated on a straight line basis over their useful life and recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

The amortisation period, the amortisation method and the residual values of intangible assets with finite useful lives are reviewed on an annual basis. Any changes are recognised as changes in accounting estimates in surplus or deficit.

### *2.4. 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 | 2 - 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Impairment and reversals of impairment are recognised in the surplus or deficit in the period in which the event occurs. Losses and gains on impairment and impairment reversals are treated similarly to gains and losses for property, plant and equipment (refer to note 2.2).

### *2.5. 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.

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 entity, and the cost or fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

With the exception of assets acquired through the transfer of functions (refer to note 2.1), 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.

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.

After recognition as an asset, heritage assets are carried at 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.

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.

### 2.5. *Heritage assets (continued)*

Gains and losses on the derecognition of heritage assets, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment (refer to note 2.2).

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.

### 2.6. *Revenue*

When the PMTE receives value in the form of an asset and directly provides approximate equal value in exchange, the PMTE classifies the value received or receivable as revenue from exchange transactions. All other revenue is classified as revenue from non-exchange transactions.

#### 2.6.1. Revenue from non-exchange transactions

The PMTE recognises the inflow of resources from a non-exchange transaction as revenue when It controls the asset, except in cases when a liability is recognised in respect of that in flow (except for equity transactions). These liabilities are classified as payables from non-exchange transactions until the conditions relating to the liability has been satisfied. Revenue from non-exchange transactions is measured initially at fair value.

Transfer payments received from the NDPW in order to fund operations and manage properties under the custodianship of NDPW, is referred to as augmentation and is classified as revenue from non-exchange transactions.

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.

#### 2.6.2. Revenue from exchange transactions

Revenue earned from accommodation charges is classified as lease revenue (refer to 2.10.1 for further details on recognition and measurement of lease revenue). Accommodation charges are measured based on:

- the cost of leasing in (in the case of privately owned buildings);
- the budget devolution as agreed upon with the client departments (in the case of state owned accommodation); or
- the market related rental (in the case of state owned accommodation leased to the private sector and individuals).

### *2.6. Revenue (continued)*

Accommodation charges disclosed in the financial statements consists of:

- Freehold inter-governmental, which refers to lease revenue from state owned assets leased to client departments;
- Freehold private, which refers to lease revenue from state owned assets leased to the private sector and individuals; and
- 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.

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 2.8 for further details.

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 over paid on the management fee is recognised either as a receivable or payable from the exchange transactions as appropriate.

Interest revenue is recognised using the effective interest method.

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.

### *2.7. 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.

### 2.8. *Maintenance costs, construction revenue and construction receivables*

In the previous financial period, the PMTE incurred expenditure relating to the maintenance and upgrading of buildings under the custodianship of the NDPW. Where capital projects were funded by the different client departments (including the NDPW) through their respective capital budgets, the PMTE classified this revenue as revenue from exchange transactions (construction revenue). Where capital projects were funded partly from the augmentation grant and partly from the accommodation charge on state owned property, these were expensed and disclosed as a related party transaction to the NDPW.

As a result of the transfer of functions on 1 April 2013, the PMTE does not recognise construction revenue, costs or maintenance on behalf of the NDPW anymore. Where capital projects were funded by the different client departments (including the NDPW) through their respective capital budgets, the PMTE classified these funds as revenue from exchange transactions (accommodation charges: freehold inter-governmental), in accordance with the accounting policy on revenue from exchange transactions above.

### 2.9. *Employee benefits*

#### 2.9.1. 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 undiscounted amount of the benefits due, the PMTE recognises the excess as an asset to the extent that the over payment 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 or intangible asset item.

A related receivable and revenue from non-exchange transactions is recognised as the PMTE settles the liability, if the PMTE can recover the expenditure from the NDPW.

#### 2.9.2. 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 future compensated absences.

The expected cost of accumulating compensated absences 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.

### *2.9. Employee benefits (continued)*

#### 2.9.3. 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.

#### 2.9.4. Retirement and medical benefits

Payments to the defined contribution plan are charged to the employee 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.

### *2.10. 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.

#### 2.10.1 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 were 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 recognises finance lease receivables resulting from finance leases as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. Interest revenue is recognised based on a pattern reflecting a constant periodic rate of return on the PMTE's net investment in the finance lease. The PMTE recognised month-to-month leases as revenue from exchange transactions as and when the revenue is due.

#### 2.10.2. 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 were re-negotiated. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### *2.10. Leases (continued)*

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 enters into these finance leasehold agreements on behalf of its client departments and therefore the assumption is made that all finance lease costs incurred are fully recoverable from the client departments, unless there is a specific indication that a lease is paid without recovering the amount from the client department. The PMTE will in its role as finance lease lessor, derecognise this previously recognised leasehold asset (property, plant and equipment) and recognise a finance lease receivable against the respective client department.

The PMTE recognises finance lease liabilities resulting from finance leases as a liability on the Statement of Financial Position. Minimum lease payments are 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.

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. The PMTE recognises month-to-month leases as an operating expense as and when the expense is incurred.

### *2.11. Financial instruments*

#### 2.11.1. Classification, recognition and measurement

The PMTE classifies a financial instrument or its component parts, on initial recognition as a financial asset, financial liability, or a residual interest in accordance with the substance of the contractual arrangement.

A financial asset or a financial liability is recognised initially when the PMTE becomes party to the contractual provisions of the instruments. The PMTE recognises financial assets and financial liabilities 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 instrument 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.

The instruments are measured at amortised cost using the effective interest rate method, except for leases (Refer to note 2.10).

### 2.11. *Financial instruments (continued)*

Financial instruments are initially measured at fair value. The fair value is the transaction price unless there is a clear indication that the transaction price does not represent the fair value at initial recognition.

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 (refer to note 2.11.2).

All non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding instruments that have been designated at fair value or are held for trading, are measured at amortised cost less impairments. Instruments that do not meet the definition of financial assets or financial liabilities measured at amortised cost are measured at fair value.

Amortised cost is calculated based on the effective interest method.

Net gains or losses arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

### 2.11.2. Impairment of financial assets measured at amortised 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 amortised cost are discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). 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.

## *2.11. Financial instruments (continued)*

### 2.11.3. Derecognition

**Financial assets**

The PMTE derecognises financial assets using trade date accounting.

The PMTE derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the PMTE transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the PMTE, 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 PMTE shall:
  - 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 PMTE derecognises a financial liability (or a part of the financial liability) from the Statement of Financial Position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expired 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*.

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 cash flows, 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.

### *2.11. Financial instruments (continued)*

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.

### *2.12. Statutory receivables and payables*

#### 2.12.1. Classification, recognition and measurement

Statutory receivables and payables arise from the right to receive cash or make payments in terms of legislatory 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 (refer to 2.12.2)

Payables arising from legislatory requirements are measured at the amount determined in legislation (i.e. transaction price).

Statutory receivables and payables are not discounted.

#### 2.12.2. 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 cash flows, 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 receivable 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.

### *2.13. Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 2.14. *Receivables from exchange transactions*

Receivables from exchange transactions are classified as financial assets except for prepayments and advances. Prepayments and advances consist of amounts paid to contractors and employees for which future goods and services are expected to be received.

### 2.15. *Receivables from non-exchange transactions*

Receivables from non-exchange transactions are recognised when the PMTE receives non-exchange revenue in accordance with an agreement (financial assets) or through legislation (statutory receivables). Refer to note 2.11 and 2.12 respectively.

### 2.16. *Provisions*

Provisions are liabilities, excluding accruals and other payables that are recognised where the PMTE has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of the amount to settle the present obligation at the reporting date, discounted to present value where the time value of money is expected to be material. The likelihood of provisions are assessed annually and any differences are recognised through the Statement of Financial Performance.

Provisions where the timing of the outflow is uncertain is classified under current liabilities.

### 2.17. *Payables from exchange contracts*

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 the invoice is outstanding or a formal agreement with the supplier has not been concluded.

### 2.18. *Contingent assets and 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.

### *2.18. Contingent assets and liabilities (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 and municipal rates 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.

### *2.19. Reserves*

The PMTE's reserves are made up of accumulated surplus.

Accumulated surplus are mainly built up to ensure adequate rehabilitation and maintenance of state owned infrastructure and future infrastructure development.

### *2.20. Budget information*

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 NDPW. The PMTE budget is part of the overall NDPW vote.

### *2.21. Related parties*

Parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party or jointly controls the other party. Specific information with regard to related party transactions is included in note 27. Movable assets that have not been transferred specifically to the PMTE are not recognised by the PMTE but are recorded by the NDPW.

### *2.22. 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 25 to 26. 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.

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.

### *2.23. 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.

### *2.24. Commitments*

The current year's estimates are based on unrecognised expenditure, which has been approved, and either contracted for or an order has been issued to the supplier. Capital commitments were not disclosed in the previous financial period as the underlying assets were accounted for by the NDPW (refer to note 35).

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| Financial assets | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Accommodation debtors - leasehold inter-governmental | 185 722 | 514 828 |
| Accommodation debtors - freehold inter-governmental | 211 244 | 216 |
| Accommodation debtors - freehold private | 10 988 | - |
| Construction receivable | - | 507 989 |
| Debt account | 29 837 | 54 820 |
| Municipal services | 174 061 | 270 907 |
| Revenue accrual | 469 046 | 330 631 |
| Municipal deposits | 11 991 | 8 824 |
| Other debtors | 8 | 20 |
| | **1 092 897** | **1 688 235** |
| **Non-financial assets** | | |
| Prepaid expenses | 559 081 | 752 561 |
| | **559 081** | **752 561** |
| | **1 651 978** | **2 440 796** |

The applicable discount rate, for outstanding receivables, for the period ending 2014 is 9.0% (2013: 8.5%).

During the 2012/13 financial period, the Accommodation debtors - leasehold inter-governmental and Construction receivables were affected by a reclassification from Revenue accrual amounting to R56 million and R194 million respectively. The remaining balance in the Revenue accrual consists of invoices not yet issued to the clients as the PMTE did not yet pay its suppliers. R328 million was reclassified from Municipal services receivables to the Revenue accrual to ensure disclosure consistency.

The Revenue accrual relates to services rendered to our clients but not invoiced yet as the payment to the supplier is still outstanding.

### *Receivables past due date but not impaired*

There were no receivable past due date that were not impaired. The impairment loss incurred during the period for receivables from exchange transactions was R649 million (2013: R243 million).

### *Individually significant receivables that are impaired*

Individually significant receivables are identified if the specific receivables, 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.

## 3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

The analysis below shows the individually significant receivables that were determined to be impaired, as a percentage, of the gross receivable balance per class of receivable.

| | 2013/14 | 2012/13 |
|---|---|---|
| | % | % |
| Accommodation debtor - leasehold inter-governmental | 39 | 58 |
| Accommodation debtor - freehold inter-governmental | 76 | 97 |
| Construction receivable | - | 83 |
| Municipal services | 65 | 78 |

## 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2013/14 | Restated 2012/13 |
|---|---|---|
| | R'000 | R'000 |
| National Department of Public Works (services in-kind)* | 90 018 | 1 730 |
| Accommodation debtor - freehold prestige# | 97 | - |
| | **90 115** | **1 730** |

* This receivable relates to the outstanding employee benefits payable by the NDPW on behalf of the PMTE (refer to note 15).

# With the transfer of functions, effective 1 April 2013, the PMTE received properties which are leased to prestige officials. 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 market rental. The PMTE incurs the expenses for maintenance and property rates for these properties.

### *Receivables from non-exchange transactions past due but not impaired*

There were no debtors past due that were not impaired. The impairment loss incurred during the period for receivables from non-exchange transactions relating to prestige debtors was R2 million.

## 5. CONSTRUCTION CONTRACTS AND RECEIVABLES

| | | |
|---|---|---|
| **Construction work-in-progress** | - | 349 275 |

The amount of construction work-in-progress represented the gross amount due from client departments for contract work in the prior period.

Due to the transfer of functions on 1 April 2013, construction contracts and receivables have been derecognised.

## 6. OPERATING LEASE ASSETS/LIABILITIES

### *6.1 Operating lease asset*

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| **Total operating lease asset - PMTE as lessor** | | | |
| Leasehold inter-governmental | 6.1.1 | 846 029 | 807 852 |
| Freehold private | 6.1.2 | 40 183 | - |
| | | **886 212** | **807 852** |
| **Total minimum lease receipts - PMTE as lessor** | | | |
| – Within one year | | 1 854 257 | 1 504 402 |
| – In second to fifth year inclusive | | 4 411 317 | 4 314 986 |
| – Later than five years | | 969 954 | 1 563 943 |
| | | **7 235 528** | **7 383 331** |

### 6.1.1 Operating lease asset - leasehold inter-governmental

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Operating lease asset - leasehold inter-governmental** | **846 029** | **807 852** |
| **Minimum lease receipts** | | |
| – Within one year | 1 834 051 | 1 504 402 |
| – In second to fifth year inclusive | 4 356 251 | 4 314 986 |
| – Later than five years | 909 022 | 1 563 943 |
| | **7 099 324** | **7 383 331** |

The above 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 (see note 6.2).

As a result of the month-to-month and open-ended leasehold commitments included in note 6.2, the equal and opposite amount is included in the PMTE leases in the "within one year" ageing bracket above.

### *6.1.2 Operating leases freehold private*

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Operating lease asset - freehold private** | **40 183** | **-** |
| **Minimum lease receipts** | | |
| – Within one year | 20 206 | - |
| – In second to fifth year inclusive | 55 066 | - |
| – Later than five years | 60 932 | - |
| | **136 204** | **-** |

The disclosure of the minimum lease payments above relates to state owned properties that are leased out to private parties (accommodation debtor- freehold private).

As a result of the transfer of functions, the operating lease asset was recognised from 1 April 2013. In accordance with the transitional provisions per Directive 2 of the GRAP Reporting Framework, as disclosed in note 36, the operating lease asset from freehold properties, with a carrying value of R40 million was recognised at provisional amounts as at 1 April 2013.

## 6. OPERATING LEASE ASSETS/LIABILITIES (CONTINUED)

### 6.2 *Operating lease liabilities*

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Operating lease liabilities - leasehold inter-governmental** | **847 349** | **809 658** |
| **Total minimum lease payments - PMTE as lessee** | | |
| – Within one year | 1 847 158 | 1 522 206 |
| – In second to fifth year inclusive | 4 372 725 | 4 321 568 |
| – Later than five years | 909 022 | 1 563 943 |
| | **7 128 905** | **7 407 717** |

The above operating leases are lease agreements with landlords in the private sector.

The PMTE has 2 650 active leases included in its leasing portfolio relating to leasehold assets, which consists of operating and finance leases. For further details regarding finance leases refer to note 12 and 17. These leases include 1 156 (2013: 1 099) month-to-month leases and 116 (2013: 116) open-ended leases. The lease commitment amount for the month-to-month and open-ended leases are based either on the notice period, where available, or on a 30 day period. The total commitment amount included in the "within one year" ageing bracket above is R160 million (2013: R103 million) and R1 million (2013: R1 million) for month-to-month and open-ended leases respectively.

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Bank balances* | 353 | 829 |
| Bank overdraft# | (433 108) | (1 402 323) |
| | **(432 755)** | **(1 401 494)** |

* The interest rate is variable. The average effective interest rate on short-term bank deposit is 3.6% in 2014 (2013: 3.7%).

# The bank overdraft carries no interest.

## 8. PROPERTY, PLANT AND EQUIPMENT

| | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Immovable properties | 3 826 187 | (1 837) | 3 824 350 | - | - | - |
| Dual purpose heritage assets | 1 | - | 1 | - | - | - |
| Assets under construction | 2 553 335 | - | 2 553 335 | - | - | - |
| | **6 379 523** | **(1 837)** | **6 377 686** | - | **-** | **-** |

**Reconciliation of property, plant and equipment - 2014**

| | Opening balance | Additions | Additions through transfer of functions | Disposals | Transfer of completed assets | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Immovable properties | - | 5 901 | 3 525 335 | (5 865) | 300 816 | (1 837) | 3 824 350 |
| Dual purpose heritage assets | - - | - | 1 | - | - | - | 1 |
| Assets under construction | - - | 2 854 150 | 1 | - | (300 816) | - | 2 553 335 |
| | - | **2 860 051** | **3 525 337** | **(5 865)** | **-** | **(1 837)** | **6 377 686** |

### *Pledged as security*

There are currently no properties, plant and equipment pledged as securities for liabilities.

### *Restrictions on property, plant and equipment assets*

The PMTE is not allowed to dispose of or transfer assets under its custodianship through the NDPW unless approved by the Minister of Public Works.

### *Transitional provisions*

### Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note 36, certain property, plant and equipment with a carrying value of R3.5 billion was recognised at provisional amounts.

The property, plant and equipment transferred from the NDPW are before any adjustments. These values are at provisional amounts. The steps, methods and progress relating to verifying property, plant and equipment is disclosed in note 36.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| **Due to the transfer of functions and initial adoption of GRAP 17** | Opening provisional amount | GRAP adjustments | Closing provisional amount |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Immovable properties | 3 519 435 | 5 900 | 3 525 335 |
| Dual purpose heritage assets | 1 | - | 1 |
| Assets under construction | 1 | - | 1 |
| | **3 519 437** | **5 900** | **3 525 337** |

The date at which full compliance with GRAP 17 is expected, is 31 March 2016.

**Further details**

Immovable properties consist of sub-classes with the following carrying values:

| | 2013/14 | 2012/13 |
|---|---|---|
| | R'000 | R'000 |
| Non-residential properties | 3 404 106 | - |
| Residential properties | 420 015 | - |
| Infrastructure assets | 229 | - |
| | **3 824 350** | **-** |

## 9. INVESTMENT PROPERTY

| | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Investment property | 3 947 603 | - | 3 947 603 | - | - | - |

**Reconciliation of investment property - 2014**

| | Opening balance | Additions through transfer of functions | Disposals | Total |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| Vacant land | - | 3 947 634 | (32) | 3 947 602 |
| Immovable properties | - | 1 | - | 1 |
| | - | 3 947 635 | **(32)** | 3 947 603 |

**Restrictions on investment properties**

The PMTE is not allowed to dispose of or transfer investment properties under it custodianship through the NDPW, unless approved by the Minister of Public Works.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 9. INVESTMENT PROPERTY (CONTINUED)

*Transitional provisions*

**Investment property recognised at provisional amounts**

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, and as disclosed in note 36, certain investment property with a carrying value of R3.9 billion was recognised at provisional amounts.

The investment properties values are at provisional amounts. The steps, methods and progress relating to verifying investment properties is similar to property, plant and equipment and is disclosed in note 36.

| **Due to the transfer of functions and initial adoption of GRAP 16** | Opening provisional amount | GRAP adjustments | Closing provisional amount |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Vacant land | 48 987 | 3 898 647 | 3 947 634 |
| Immovable properties | 1 | - | 1 |
| | **48 988** | **3 898 647** | **3 947 635** |

The date which full compliance with GRAP 16 is expected, is 31 March2 016.

## 10. HERITAGE ASSETS

| | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated impairment losses | Carrying value | Cost | Accumulated impairment losses | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Historical monuments | 1 | - | 1 | - | - | - |
| Conservation areas | 1 | - | 1 | - | - | - |
| Historical buildings | 1 | - | 1 | - | - | - |
| Cemeteries | 1 | - | 1 | - | - | - |
| **Total** | 4 | - | 4 | - | - | - |

**Reconciliation of heritage assets - 2014**

| | Opening balance | Additions through transfer of functions | Total |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Historical monuments | - | 1 | 1 |
| Conservation areas | - | 1 | 1 |
| Historical buildings | - | 1 | 1 |
| Cemeteries | - | 1 | 1 |
| | - | 4 | 4 |

## 10. HERITAGE ASSETS (CONTINUED)

**Restrictions on heritage assets**

The PMTE is not allowed to dispose of or transfer heritage assets under its custodianship through the NDPW unless approved by the Minister of Public Works.

### *Transitional provisions*

**Heritage assets recognised at provisional amounts**

In accordance with the transitional provisions as per Directive2 of the GRAP Reporting Framework, as disclosed in note 36, certain heritage asset with a carrying value of R4 000 was recognised at provisional amounts.

Heritage assets disclosed above are at provisional amounts. The steps, methods and progress relating to verifying heritage assets is similar to property, plant and equipment and is disclosed in note 36.

| **Due to transfer of functions and initial adoption of GRAP 103** | Opening provisional amount | GRAP adjustments | Closing provisional amount |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Historical monuments | 1 | - | 1 |
| Conservation areas | 1 | - | 1 |
| Historical buildings | 1 | - | 1 |
| Cemeteries | 1 | - | 1 |
| | **4** | **-** | **4** |

The date at which full compliance with GRAP 103 is expected, is 31 March 2016.

## 11. INTANGIBLE ASSETS

| | 2013/14 | | | 2012/13 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software | 1 | - | 1 | - | - | - |

**Reconciliation of intangible assets - 2014**

| | Opening balance | Additions through transfer of functions | Total |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Computer software | - | 1 | 1 |

## 11. INTANGIBLE ASSETS (CONTINUED)

*Transitional provisions*

**Intangible assets recognised at provisional amounts**

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note 36, certain intangible assets with carrying value of R1 000 was recognised at provisional amounts.

The intangible assets disclosed above are at provisional amounts. The PMTE has engaged service providers to verify the assets and to obtain deemed carrying amounts for the purpose of recognising the assets in accordance with GRAP for the transitional provisions.

| **Due to transfer of functions and initial adoption of GRAP 102** | Original provisional amount | GRAP adjustments | Closing provisional amount |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Computer software | 1 | - | 1 |

The date at which full compliance with GRAP102 is expected, is 31 March 2016.

## 12. FINANCE LEASE RECEIVABLES

| | 2013/14 | Restated 2012/13 |
|---|---|---|
| | R'000 | R'000 |
| **Gross investment in the lease due** | | |
| – Within one year | 789 | 755 |
| – In second to fifth year inclusive | 3 573 | 3 398 |
| – Later than five years | * | * |
| | 4 362 | 4 153 |
| less: unearned interest revenue | * | * |
| **Present values of minimum lease receivables** | **13 639** | **12 701** |
| **Present values of minimum lease receivables due** | | |
| – Within one year | 681 | 652 |
| – In second to fifth year inclusive | 2 146 | 2 050 |
| – Later than five years | 10 812 | 9 999 |
| | **13 639** | **12 701** |
| Non-current assets | 12 958 | 12 049 |
| Current assets | 681 | 652 |
| | **13 639** | **12 701** |

## 12. FINANCE LEASE RECEIVABLES (CONTINUED)

* Finance leases consists of those leases that have an indefinite or 99 year lease period. Due to the nature of these leases, the lease commitment amount could only be determined for the next five years. Therefore there are no lease receivables for the age bracket beyond five years. The present value of the minimum lease receivable was calculated taking into account an effective interest rate of 15.82% (2013: 15.68%) over the next five years.

The above finance 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 (refer to note17).

## 13. PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Financial liabilities** | | |
| Accrued expenses | 550 583 | 872 648 |
| Trade payables | 178 | 33 400 |
| Contract guarantees | 90 | 90 |
| Unallocated deposits | 32 167 | 339 184 |
| | **583 018** | **1 245 322** |
| **Non-financial liabilities** | | |
| Income received in advance | 79 882 | 40 154 |
| | **662 900** | **1 285 476** |

Included in accrued expenses is an amount of R7 million (2013: R5.2 million) relating to municipal property rates outstanding prior to 1 April 2008. The PMTE recognises a payable only after confirming validity of the claims with the relevant municipality. The balance of the claims is disclosed in contingent liabilities (refer to note 24).

## 14. RETENTION LIABILITIES

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Retention liabilities** | | |
| Non-current liabilities | 13 578 | 32 293 |
| Current liabilities | 225 708 | 248 011 |
| | **239 286** | **280 304** |

In the prior financial period, the retention liabilities were categorised between construction retentions and other retentions (R169 million and R171 million respectively). As a result of the transfer of functions, the categorisation is no longer required as the PMTE is now incurring this expense to construct for its own account.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 15. EMPLOYEE BENEFIT OBLIGATIONS

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Provision for performance bonus** | | |
| Opening balance | 218 | 108 |
| Obligations due to transfer of functions* | 8 254 | - |
| Service cost recognised in financial performance | 383 | 110 |
| | **8 855** | **218** |
| **Provision for leave** | | |
| Opening balance | 1 136 | 973 |
| Obligations due to transfer of functions* | 52 911 | - |
| Service cost recognised in financial performance | 9 337 | 163 |
| | **63 384** | **1 136** |
| **Provision for service bonus** | | |
| Opening balance | 376 | 365 |
| Obligations due to transfer of functions* | 14 849 | - |
| Service cost recognised in financial performance | 1 031 | 11 |
| | **16 256** | **376** |
| | **88 495** | **1 730** |

* As a result of the transfer of functions, additional employment benefit obligations were recognised from 1 April 2013. In accordance with the transitional provisions, per Directive 2 of the GRAP Reporting Framework, as disclosed in note 36, the employee benefits obligations with a value of R76 million was recognised at provisional amounts as at 1 April 2013.

## 16. PROVISIONS

**Reconciliation of provisions - 2014**

| | Opening balance R'000 | Additions R'000 | Reversed during the year R'000 | Total R'000 |
|---|---|---|---|---|
| Legal proceedings | 34 029 | 9 070 | (5 484) | 37 615 |
| Under payments to landlords | 716 384 | 174 338 | - | 890 722 |
| Over recovery of lease expenses | 991 211 | 291 829 | - | 1 283 040 |
| | **1 741 624** | **475 237** | **(5 484)** | **2 211 377** |

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.

Provisions for under payments to landlords consists of leases identified where the amounts in the lease agreements exceeds the payments made to the landlord. As a result, rental is owed to the landlords. However, there is uncertainty around the amount and the payment dates as these provisions have not been confirmed with the landlords.

## 16. PROVISIONS (CONTINUED)

Provisions for over recovery of lease expenses consist of leases identified where the amounts claimed from the client department exceeds the rental in the lease agreements. However, there is uncertainty around the amount and the payment dates as these provisions have not been confirmed with the landlords and the tenants. Once confirmed, management will establish if the amounts were paid by the client departments and will thereafter refund the overpaid amounts. If the amounts are outstanding and included in the receivable balance, management will reduce the receivable balance.

## 17. FINANCE LEASE OBLIGATION

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Minimum lease payments due** | | |
| – Within one year | 789 | 755 |
| – In second to fifth year inclusive | 3 573 | 3 398 |
| – Later than five years | * | * |
| **Total minimum lease payments due** | **4 362** | **4 153** |
| less: future interest on finance lease | * | * |
| **Present value of minimum lease payments** | 13 639 | 12 700 |
| | | |
| **Present value of minimum lease payments due** | | |
| – Within one year | 681 | 652 |
| – In second to fifth year inclusive | 2 146 | 2 050 |
| – Later than five years | 10 812 | 9 999 |
| | 13 639 | 12 701 |
| | | |
| Non-current liabilities | 12 958 | 12 049 |
| Current liabilities | 681 | 652 |
| | **13 639** | **12 701** |

* Finance leases consist of those leases that have an indefinite or 99 year lease period. Due to the nature of these leases, the lease commitment amount could only be determined for the next five years, and therefore not for the age bracket beyond the five years.

The net present value of the finance lease obligations was calculated taking into account the applicable rate for state owned debt as the discount rate. The rate was applied at the inception of the lease. The rates vary between 6% and 17% on various contracts from 1958 to 2014. The effective interest rate utilised over the next five years was 15.82% (2013: 15.68%)

# Notes to the Annual Financial Statements

## for the year ended 31 March 2014

### 18. REVENUE FROM EXCHANGE TRANSACTIONS

| | 2013/14<br>R'000 | Restated 2012/13<br>R'000 |
|---|---|---|
| Accommodation charges - leasehold inter-governmental | 3 282 663 | 3 110 422 |
| Accommodation charges - freehold inter-governmental | 6 072 663 | 3 417 999 |
| Accommodation charges - freehold private | 30 239 | - |
| Construction revenue | - | 2 404 426 |
| Interest revenue* | 7 912 | 6 947 |
| Management fees on municipal services | 164 855 | 146 860 |
| Recoveries | 25 603 | 18 650 |
| Gain on sale of asset | 35 | - |
| Other revenue | 196 | - |
| | **9 584 166** | **9 105 304** |
| *** Interest revenue consists of:** | | |
| Interest from receivables | 6 208 | 4 807 |
| Interest from finance leases | 1 693 | 1 572 |
| Interest on bank balances | 11 | 568 |
| | **7 912** | **6 947** |

### 19. REVENUE FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Augmentation | 682 426 | 646 849 |
| Contractor fines | 5 485 | 7 153 |
| Services in-kind | 714 092 | 19 231 |
| Accommodation charges - freehold prestige | 1 715 | - |
| | **1 403 718** | **673 233** |

### 20. OPERATING EXPENSES

| | | |
|---|---|---|
| Operating leases | 3 346 389 | 3 158 730 |
| Property maintenance | 2 296 129 | 3 093 343 |
| Construction cost* | - | 2 404 426 |
| Property rates | 682 437 | 494 324 |
| Cleaning and gardening | 168 571 | 167 863 |
| Impairment on receivables | 651 474 | 242 635 |
| Security | 42 555 | 40 892 |
| Under recovery of lease expenses | 174 338 | 184 457 |
| Losses incurred | 25 056 | 14 935 |
| Bursaries | - | 2 362 |
| Administrative expenses* | 91 101 | 1 363 |
| Municipal services expenses* | 23 986 | - |
| Bank charges | 132 | 116 |
| Advertising | 12 | 41 |
| Depreciation on property, plant and equipment* | 1 837 | - |
| | **7 504 017** | **9 805 487** |

* Changes in these expenses are as a result of the transfer of functions effective1 April 2013.

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 21. INTEREST EXPENSE

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Interest on finance leases | 1 693 | 1 572 |
| Interest on overdue accounts | 1 046 | 308 |
| | **2 739** | **1 880** |

## 22. EMPLOYEE RELATED COSTS

| | | |
|---|---|---|
| Basic salary and non-pensionable salary | 449 717 | 13 382 |
| Pensionable bonus | 7 917 | 231 |
| Medical aid contributions | 38 072 | 710 |
| Leave payout | 9 252 | 163 |
| Pension fund contributions | 51 260 | 1 520 |
| Overtime | 3 572 | 441 |
| Service bonus | 32 080 | 828 |
| Housing allowances | 29 023 | 591 |
| Bargaining council | 575 | 3 |
| | **621 468** | **17 869** |

The following employee benefit contributions have been incurred and expensed and are included in the costs above:

| | | |
|---|---|---|
| Government Employees Pension Fund | 51 260 | 1 520 |
| Medical aid contributions | 38 072 | 710 |
| **Total defined contributions** | **89 332** | **2 230** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 23. CASH GENERATED FROM/(USED IN)OPERATIONS

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Surplus/ (deficit) as per the Statement of Financial Performance | 2 859 660 | (46 699) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 1 837 | - |
| Gain on sale of assets | (35) | - |
| Impairment on receivables | 651 474 | 242 635 |
| Employee costs | 619 972 | 18 154 |
| Movements in provisions | 436 564 | 443 721 |
| Operating lease asset - straight lining | (1 594 999) | (1 664 939) |
| Operating lease liability - straight lining | 1 615 886 | 1 628 295 |
| Interest received on finance leases | (1 693) | (1 572) |
| Interest expense on finance leases | 1 693 | 1 572 |
| Administrative expenses | 91 101 | 1 362 |
| Services in-kind | (678 545) | (19 516) |
| Operating lease recovered | 1 562 830 | 1 558 171 |
| Operating leases paid | (1 578 194) | (1 526 555) |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | 149 975 | (654 794) |
| Receivables from non-exchange transactions | (353) | - |
| Construction contracts and receivables | 349 275 | 47 103 |
| Payables from exchange transactions | (710 123) | (118 844) |
| Retention liabilities | (207 267) | (55 999) |
| | **3 569 058** | **(147 905)** |

## 24. CONTINGENCIES

### *24.1. Contingent liabilities*

| | | |
|---|---|---|
| **Municipal property rates** | **166 908** | **237 203** |

Claims relating to municipal property rates prior to 1 April 2008 were received from municipalities across all regions in which the PMTE operates. The invoice supporting these claims requires extensive investigations to ensure that the PMTE only settles valid claims. The values disclosed above, represents an estimation relating to the outstanding invoices that still require assessment by the PMTE to conclude on their validity and whether the PMTE does have an obligation to settle.

| | | |
|---|---|---|
| **Claims against the PMTE** | **108 110** | **13 475** |

The claims against the PMTE arose from property and maintenance disputes/activities with different third party service providers. The entity's legal advisors are handling the claims on behalf of the PMTE. They have assessed the probability of each claim in determining the total amount of the legal contingent liability, and have determined that the outflow of economic benefits is possible as at the reporting date.

| | | |
|---|---|---|
| **Total contingent liabilities** | **275 018** | **250 678** |

## 24. CONTINGENCIES (CONTINUED)

### *24.2 Contingent assets*

| | | |
|---|---|---|
| **Claims by the PMTE** | **12 334** | **77 178** |

The claims by the PMTE arose from various activities with service providers and are being handled by the entity's legal advisors. They have assessed the probability of each claim in determining the total amount of the legal contingent asset, and have determined that the inflow of economic benefits is possible as at the reporting date. During the current year, due to changes in certain cases, the legal advisors reassessed the probability of the inflows and it was decided to rather be prudent and not recognise a contingent asset, hence the reduction from the previous year.

| | | |
|---|---|---|
| **Retentions** | **181 847** | **180 806** |

Two contract types exist for the construction of properties by the contractors, namely General Conditions of Contract and Joint Building Contracts Committee. Each contract type includes 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. The project managers did not apply these security clauses accurately and as a result insufficient amounts were retained on each payment exposing the PMTE to the risk of non-performance by the contractors.

Withholding an amount on each invoice/payment is an internal mechanism applied by the PMTE to manage risk. Therefore when an insufficient amount is retained on a specific invoice the contractor has no contractual obligation towards the PMTE to refund for the overpayment. In absence of objective evidence that the PMTE will be able to recover these funds from the contractors, the PMTE cannot conclude that future economic benefits will be probable and a contingent asset is disclosed.

| | | |
|---|---|---|
| **Under recovery of accommodation charges - lease hold inter-governmental** | **890 722** | **716 384** |

Leases were identified where the PMTE did not recover all payments in accordance with sub-leases from client departments. However, as the probability of future benefits cannot be confirmed with sufficient accuracy, the PMTE only discloses a contingent asset relating to the amount due.

**Potential state properties**

During the year 2013/2014 financial year, the PMTE identified state land properties from the Deeds registry and the Office of the Chief Surveyor General. The Ownership of these land parcels requires further investigation and until such time that the rightful custodians are identified and the GRAP recognition criteria are met, these properties will be reflected as contigent assets. For further details refer to the Sector Specific Guide disclosure.

| | | |
|---|---|---|
| **Total contingent assets** | **1 084 903** | **974 368** |

## 25. FRUITLESS AND WASTEFUL EXPENDITURE

### *25.1. Reconciliation of fruitless and wasteful expenditure*

| | 2013/14<br>R'000 | Restated<br>2012/13<br>R'000 |
|---|---|---|
| Opening balance | 328 469 | 308 129 |
| Incurred during the year | 16 186 | 15 217 |
| Incurred during the prior years detected in the current year | - | 5 137 |
| Amounts condoned | - | (14) |
| | **344 655** | **328 469** |

The PMTE has embarked on a project to institute disciplinary steps for losses incurred, due to fruitless and wasteful expenditure, after full investigations have been conducted. No disciplinary steps have been taken as a consequence of the above expenditure.

### *25.2. Details of fruitless and wasteful expenditure - current year*

| | |
|---|---|
| Payment for unoccupied buildings | 13 517 |
| Interest/ penalties | 2 174 |
| Value Added Tax related issues | 495 |
| | **16 186** |

During the inspection of leased buildings, management discovered buildings which were not occupied by client departments. The rental on these properties was disclosed as fruitless and wasteful expenditure from the date of discovery by management. Further investigations will be conducted by management to determine the full extent of the fruitless and wasteful expenditure incurred and the next action to be taken against officials or client departments involved. Appropriate actions will be taken against service providers found to have colluded with officials of the NDPW.

## 26. IRREGULAR EXPENDITURE

### *26.1. Reconciliation of irregular expenditure*

| | 2013/14<br>R'000 | Restated<br>2012/13<br>R'000 |
|---|---|---|
| Opening balance | 3 848 600 | 1 410 817 |
| Incurred during the current year | 6 214 055 | 2 404 313 |
| Incurred in prior years detected in current year | 24 583 946 | 33 470 |
| Less: Amounts condoned | (229 396) | - |
| | **34 417 205** | **3 848 600** |

## 26. IRREGULAR EXPENDITURE (CONTINUED)

Irregular expenditure has been presented on the cash basis of accounting in accordance with paragraph 13 of the National Treasury guideline on irregular expenditure that was applicable on 31 March 2014 that stated "*For an institution to incur irregular expenditure, the non-compliance must be linked to a financial transaction. Although a transaction or an event may trigger irregular expenditure; an institution will only recognise irregular expenditure when a payment is made. If 'possible irregular expenditure' is determined prior to a payment being made, then the transgression shall be regarded as a non-compliance matter until payment is made and irregular expenditure is recognized".* On 27 May 2014 National Treasury issued new guidelines on irregular expenditure which requires entities that are applying Statements of GRAP to recognise and present irregular expenditure on the accrual basis of accounting. It is not practical for the PMTE to restate the amounts presented above for both 2012/13 and 2013/14 financial years in order to comply with the new guidance issued after year-end. The maximum exposure to a possible understatement is the outstanding balances of R551 million included in note 13. Amounts presented in the next financial period will include payments made during the year as well as outstanding balances.

The PMTE revisited its entire population of payments processed and bids awarded from the financial year 2009/10 to 2012/13 in order to identify all irregular expenditure. This was one of the matters that the PMTE was qualified on in the previous three financial years. This exercise included detailed testing of transactions relating to expenditure on leases.

In prior periods, the PMTE did not disclose irregular expenditure where amounts were recovered from clients departments. These were disclosed by the client departments. The PMTE is now disclosing all expenditure that are considered irregular as defined in the PFMA.

An amount of R1.2 billion was added back to the prior year balance after the revision of these balances to reflect the inclusion of irregular expenditure incurred by the PMTE relating to the NDPW and other client departments.

The irregular expenditure is being investigated by the PMTE to determine any potential liability of officials. Currently, no disciplinary steps or criminal proceedings have been initiated.

### *26.2 Details of irregular expenditure - prior years detected in current year*

| | 2013/14<br>R'000 |
|---|---|
| Deviations/procurement process not followed - leases | 8 941 258 |
| Deviations/procurement process not followed - other expenditure | 7 578 690 |
| Consultant appointment via roster system | 3 136 518 |
| Three written quotes not obtained | 1 253 410 |
| Tax clearance certificate related issues | 3 390 231 |
| Construction Industry Development Board related issues | 283 839 |
| | **24 583 946** |

### *26.3 Details of irregular expenditure - current year*

| | |
|---|---|
| Deviations/procurement process not followed - leases | 3 447 385 |
| Deviations/procurement process not followed - other expenditure | 1 920 252 |
| Consultant appointment via roster system | 407 484 |
| Three written quotes not obtained | 234 166 |
| Tax clearance certificate related issues | 83 596 |
| Construction Industry Development Board related issues | 121 172 |
| | **6 214 055** |

# Notes to the Annual Financial Statements

for the year ended 31 March 2014

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES

The PMTE is controlled through the NDPW at National Government level. Only parties within the national sphere of government and entities reporting to National Departments that are subject to common control, is considered related parties.

The PMTE performs property management services for the state owned and lease hold immoveable 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 NDPW and as such all contracts are entered into in the name of the NDPW. 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 or 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 18 (accommodation charges - leasehold inter-governmental and management fees on municipal services).

### *27.1. National Department of Public Works*

| | 2013/14<br>R'000 | Restated 2012/13<br>R'000 |
|---|---|---|
| **Revenue from exchange transactions** | | |
| Accommodation charges- freehold inter-governmental | 41 499 | 36 086 |
| **Revenue from non-exchange transactions** | | |
| Services in-kind | 714 092 | 19 231 |
| Augmentation | 682 426 | 646 849 |
| | **1 396 518** | **666 080** |
| **Expenditure** | | |
| Municipal property rates | * | 77 201 |
| Property maintenance | * | 235 643 |
| Cleaning, gardening and security | * | 83 562 |
| Cleaning and gardening | 59 614 | - |
| Bursaries | - | 2 133 |
| | **59 614** | **398 539** |
| **Receivables relating to the above** | | |
| Prepayments on municipal property rates | * | 53 294 |
| Services in-kind | 90 018 | 1 730 |
| | **90 018** | **55 024** |
| **Payables relating to the above** | | |
| Municipal property rates accruals | * | 19 547 |
| Property maintenance accruals | * | 44 657 |
| Cleaning, gardening and security | * | 6 801 |
| Cleaning and gardening | 3 090 | - |
| | **3 090** | **71 005** |

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

* These items are only applicable during the 2012/13 financial periods as related party transactions. Due to the transfer of functions on 1 April 2013, these transactions are no longer recognised as a related party transaction. The expenses are incurred for our own account relating the transferred assets and not on behalf of the NDPW.

The related party payables above are unsecured and are expected to be settled within normal course of business.

### *27.1. National Department of Public Works*

The PMTE provides the following free services to the NDPW:

During the 2012/13 financial period, the PMTE has made payments relating to external and internal bursary recipients on behalf of the Department. During the current financial period, the PMTE has not made any bursary payments on behalf of the NDPW.

The PMTE receives free services from the NDPW. The Department paid the following over head costs for the day-to-day running of the PMTE:

- Employee costs;
- Goods and services;
- Interest and rent on land;
- Transfers and subsidies; and
- Office and computer equipment.

Overhead costs that can be measured reliably and have been included in revenue from non-exchange transactions as services in-kind. These costs are not recovered by the NDPW. During the 2013/14 and 2013/12 financial period, the office and computer equipment has not been recognised as property, plant and equipment in the PMTE's financial records as the amounts could not be measured separately, similar to other overhead cost. During the current financial period, the PMTE will recognise the immovable assets, related to the transfer of functions. More detail of the transfer of functions is disclosed in note 36.

As the budget still resides with the NDPW, the NDPW pays for certain municipal services and capital expenditure on vacant properties which are not occupied by the NDPW but are managed by the PMTE. These charges, paid by the NDPW on behalf of the PMTE are related party transactions. The total municipal service expense, paid by the NDPW during the current financial period, for vacant properties amounts to R 10.3 million. The total capital expenditure, paid by the NDPW during the current financial period, amounting to R561.1 million includes properties occupied by the NDPW.

Other overhead costs include the sharing of corporate services between the NDPW and the PMTE. The to the nature of these transactions and the operational structures between the PMTE and the Department, the value of these shared costs cannot be reliably measured. These costs, paid by the Department on behalf of the PMTE and not recovered, include the following corporate shared services:

- Supply Chain Management (SCM);
- Internal Audit;
- Human Resources (Human Resource Management and Human Resource and Organisational Development);

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

- Gender, people with disabilities, youth and children;
- Marketing and Communication;
- Information Services;
- Legal Services;
- Security Management;
- Monitoring and Evaluation;
- Strategic Management Unit;
- Labour Relations;
- Key Account Management functions at head office;
- Regional co-ordination and regional managers; and
- Office of the Ministry, Office of the Director-General and Office of the Chief Financial Officer.

In addition, the Department and the PMTE share the service cost of certain special interventions entered into in support of the turnaround strategy. These cannot be reliably separated.

The PMTE receives an augmentation of funds from National Treasury via the NDPW to fund its operations.

### *27.2 Other related parties*

The PMTE recognises accommodation revenue on state owned building 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 18. The related receivables (accommodation debtors - freehold inter-governmental) is disclosed in note 3.

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

### *27.2. Other related parties (continued)*

| | 2013/14<br>R'000 | Restated<br>2012/13<br>R'000 |
|---|---|---|
| **Revenue from exchange transactions: Accommodation debtor - freehold inter-governmental** | | |
| Agriculture, Forestry and Fishing | 65 285 | 56 770 |
| Arts and Culture | 26 567 | 23 101 |
| Communications | 662 | 575 |
| Correctional Services | 874 151 | 828 579 |
| Defence and Military Veterans | 1 090 575 | 939 957 |
| Higher Education | 554 | 481 |
| Environmental Affairs | 13 338 | 11 598 |
| Government Communications | 21 | 19 |
| Health | 10 313 | 8 968 |
| Health (Civitas) | 72 059 | 56 002 |
| Home Affairs | 31 826 | 27 675 |
| Human Settlement | 338 | 294 |
| Independent Compliant Directorate | 325 | 308 |
| Justice and Constitutional Development | 313 768 | 296 343 |
| Labour | 37 395 | 32 518 |
| Rural Development and Land Reform | 18 235 | 15 857 |
| Minerals | 2 067 | 1 797 |
| National Treasury | 3 871 | 3 366 |
| National Treasury-SARS | 21 920 | 19 061 |
| Public Service and Administration | 196 | 171 |
| SA Police Services | 1 034 271 | 980 352 |
| Social Development | 360 | 313 |
| Sports and Recreation | 7 | 7 |
| Statistics SA | 931 | 809 |
| Trade and Industry | 24 | 21 |
| Water Affairs | 88 419 | 76 886 |
| | **3 707 478** | **3 381 828** |
| **Gross receivables from exchange transactions: Accommodation debtor - freehold inter-governmental** | | |
| Agriculture, Forestry and Fishing | 393 | 393 |
| Arts and Culture | 6 642 | - |
| Defence and Military Veterans | - | 215 |
| Environmental Affairs | - | 1 230 |
| Health | 18 015 | - |
| International Relations and Cooperation | 7 258 | 7 258 |
| Justice and Constitutional Development | 9 070 | 9 070 |
| Rural Development and Land Reform | 1 | 1 |
| Sports and Recreation | - | 1 |
| | **41 379** | **18 168** |

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

| | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| **Impairment relating to receivables from exchange transactions** | | |
| Agriculture, Forestry and Fishing | 393 | 393 |
| Arts and Culture | 660 | - |
| Defence and Military Veterans | - | 21 |
| Environmental Affairs | - | 1 230 |
| Health (Civitas) | 1 789 | - |
| International Relations and Cooperation | 7 258 | 7 258 |
| Justice and Constitutional Development | 9 070 | 9 070 |
| Rural Development and Land Reform | 1 | 1 |
| | **19 171** | **17 973** |

The PMTE incurs property maintenance costs relating to cleaning and gardening services for leasehold properties occupied by certain client departments. During the previous financial period, security services provided on vacant properties was regarded as a related party transaction. Due to the transfer of functions effective 1 April 2013, these services are no longer a related party transaction as these security services are incurred on assets disclosed by the PMTE. Figures reflected in the table below reflect the related party transactions applicable per client department (i.e. 2013/14 financial period only gardening and cleaning services and 2012/13 financial period gardening, cleaning and security services). 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.

| | 2013/14 R'000 Cleaning and gardening | Restated 2012/13 R'000 Cleaning, gardening and security |
|---|---|---|
| **Expenditure** | | |
| Arts and Culture | 4 864 | 1 417 |
| Correctional Services | 552 | 267 |
| Defence and Military Veterans | 1 099 | 1 472 |
| Environmental Affairs | 52 | - |
| Home Affairs | 22 | 475 |
| Justice and Constitutional Development | 122 859 | 120 207 |
| Labour | - | 450 |
| National Prosecuting Authority | 6 | - |
| SA Police Services | - | 4 198 |
| Water Affairs | - | 95 |
| | **129 454** | **128 581** |
| **Accruals raised** | | |
| Arts and Culture | 67 | 131 |
| Correctional Services | 552 | 99 |
| Defence and Military Veterans | 1 126 | 125 |
| Environmental affairs | 52 | - |
| Home Affairs | 22 | - |
| Justice and Constitutional Development | 9 713 | 12 811 |
| SA Police Service | - | 99 |
| Water Affairs | - | 24 |
| | **11 532** | **13 289** |

## 27. RELATED PARTY TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

### *Management remuneration*

Management of the PMTE is defined as being individuals with the responsibility for planning, directing and controlling the activities of the entity. Individuals on Chief Director Level of the PMTE, as well as members of the Executive Committee and the Minister and Top Management Committee of the NDPW are considered management. Where the remuneration of management is not accounted for by the PMTE (as included in note 22), the remuneration is not included in the disclosure below. This includes the remuneration of the Chief Financial Officer, the Director-General and the Minister of Public Works.

## 28. MANAGEMENT EMOLUMENTS

| Executive | Basic salary | Non-pensionable salary | Service bonus | Post employment benefits | Other short term benefits | Total |
|---|---|---|---|---|---|---|
| **2014** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| *Employees* | | | | | | |
| Chief Director: Office of Chief Financial Officer | 526 | 12 | - | - | 214 | 752 |
| Chief Director: Financial Planning and Reporting | 561 | 232 | 47 | 95 | 8 | 943 |
| Chief Director: Revenue and Debt Management | 246 | 50 | - | 32 | 84 | 412 |
| Chief Director: Asset Register Management | 586 | 249 | 49 | 93 | 8 | 985 |
| Chief Director: Facilities and Property Management | 587 | 210 | 49 | 89 | 117 | 1 052 |
| Acting Deputy Director General: Asset Immovable Management | 695 | 141 | 58 | 98 | 67 | 1 059 |
| Chief Director: Property Management | 331 | 142 | - | - | 1 | 474 |
| Project Management Specialist | 556 | 2 | 35 | 72 | 177 | 842 |
| Acting Head of Finance | 1 000 | - | - | - | - | 1000 |
| *Board member* | | | | | | |
| Acting Head of PMTE | 796 | 91 | 66 | 103 | 110 | 1 166 |
| | **5 884** | **1 129** | **304** | **582** | **786** | **8 685** |
| **2013** | | | | | | |
| *Employees* | | | | | | |
| Chief Director: Office of Chief Financial Officer | 244 | 106 | - | - | - | 350 |
| Chief Director: Financial Planning and Reporting | 513 | 219 | 44 | 26 | 65 | 867 |
| | **757** | **325** | **44** | **26** | **65** | **1 217** |

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions.

Post employment benefits comprise of pension fund and medical aid contributions to a defined contribution plan.

## 28. MANAGEMENT EMOLUMENTS (CONTINUED)

### Service contracts

The Chief Director: Revenue and Debt Management was appointed for 5 months during the 2013/14 financial year.

The Acting Deputy Director General: Property Management was appointed for 5 months during the 2013/14 financial year.

The Chief Director: Office of Chief Financial Officer was appointed for 4 months during the 2012/13 financial year and for 8 months during the 2013/14 financial year.

The Acting Head of Finance was appointed for 9 months during the 2013/14 financial year.

## 29. FINANCIAL INSTRUMENTS DISCLOSURE

| | Note | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|---|
| **Categories of financial instruments** | | | |
| **Financial assets at amortised cost** | | | |
| Receivables from exchange transactions | **3** | 1 092 897 | 1 688 235 |
| Cash and cash equivalents | **7** | 353 | 829 |
| Finance lease receivables | **12** | 13 639 | 12 701 |
| | | **1 106 889** | **1 701 765** |
| **Financial liabilities at amortised cost** | | | |
| Bank overdraft | **7** | 433 108 | 1 402 323 |
| Payables from exchange transactions | **13** | 583 018 | 1 245 322 |
| Retention liabilities | **14** | 239 286 | 280 304 |
| Finance lease obligation | **17** | 13 639 | 12 701 |
| | | **1 269 051** | **2 940 650** |

## 30. RISK MANAGEMENT

### *Financial risk management*

The PMTE's activities exposes it 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 within the PMTE and tasks the Audit Committee with ensuring effective risk management within the PMTE. 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.

# Notes to the Annual Financial Statements

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## 30. 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 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 overdraft.

Responsibility for adherence to the PMTE risk management strategy rests with the Risk Management unit together with the Internal Audit and Compliance units who engage with the Audit Committee and members of the Executive Committee ("EXCO") regularly.

### *Liquidity risk*

Liquidity risk is the risk that the PMTE is not able to settle its obligations. The PMTE manages liquidity risk through ongoing review and assessment of client departments' commitment to settle their accounts.

For operating lease liabilities and finance lease liabilities, the maturity analysis is disclosed in note 6 and note 17 respectively. 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:

| | | 1month | 2-12 months | 2years | 3years | >3years | Total |
|---|---|---|---|---|---|---|---|
| **2014** | **Note** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| Bank overdraft | **7** | 433 108 | - | - | - | - | 433 108 |
| Trade payables | **13** | 178 | - | - | - | - | 178 |
| Accrued expenses | **13** | 550 583 | - | - | - | - | 550 583 |
| Contract guarantees | **13** | 90 | - | - | - | - | 90 |
| Retentions | **14** | 169 316 | 56 392 | 13 422 | 156 | - | 239 286 |
| Capital commitments | **35** | 806 719 | 1 368 960 | 771 474 | 963 823 | - | 3 910 976 |
| | | **1 959 994** | **1 425 352** | **784 896** | **963 979** | **-** | **5 134 221** |
| **2013** | | | | | | | |
| Bank overdraft | **7** | 1 402 323 | - | - | - | - | 1 402 323 |
| Trade payables | **13** | 33 400 | - | - | - | - | 33 400 |
| Accrued expenses | **13** | 872 648 | - | - | - | - | 872 648 |
| Contract guarantees | **13** | 90 | - | - | - | - | 90 |
| Retentions | **14** | 102 094 | 145 917 | 30 386 | 1 907 | - | 280 304 |
| | | **2 410 555** | **145 917** | **30 386** | **1 907** | **-** | **2 588 765** |

The ageing brackets used in the maturity analysis have been amended from the previous financial statement disclosure, per the initial adoption of GRAP, in order to conform with the ageing brackets used for budget purposes.

## 30. RISK MANAGEMENT (CONTINUED)

Retentions comparative amounts have been restated in order to correctly disclose the maturity ageing brackets. For more details refer to note 32.

During both the 2012/13 and 2013/14 financial periods the project managers retained insufficient amounts on each payment/ invoice as prescribed by the applicable contracts with the contractors. The retention is used as security to manage the risk of non-performance/ defaulting by the contractors. By not retaining sufficient amounts on each payment/ invoice the PMTE is exposing itself to greater risk as it will not have any bargaining power should the contractors default.

Part of the PMTE's leasing portfolio is operating on a month-to-month and open-ended (i.e. indefinite) basis. Based on the nature of such lease transactions, these lease commitments amounts are calculated and disclosed, based on one month's rental and the rental payable over the termination notice period respectively, as this is considered to be the amount the PMTE is obligated to pay as at financial year end. The lease commitment amount for month-to-month and open-ended leases, for the financial year ended 31 March 2014, is R160 million and R1 million respectively. For further commitment disclosure for operating leases, refer to note 6.

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.

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 as a result of the transfer of functions as it now also collects monies from the private sector for leases. The extents of these are not considered to be material.

## 30. RISK MANAGEMENT (CONTINUED)

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: | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Cash and cash equivalents | 353 | 829 |
| Receivables from exchange transactions | 1 092 897 | 1 688 235 |
| Receivables from non-exchange transactions | 97 | - |
| Operating lease assets | 886 212 | 807 852 |
| Financial lease receivables | 13 639 | 12 701 |
| Construction contract receivables | - | 349 275 |

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 owned by the state and is intrinsic to the business. National Treasury determines this rate and manages the risk on behalf of National Government.

## 31. SUBSEQUENT EVENTS

There are no subsequent events identified to be disclosed.

# Notes to the Annual Financial Statements

## for the year ended 31 March 2014

## 32. PRIOR PERIOD ERRORS

Material errors 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 below:

| | Restated 2012/13 R'000 |
|---|---|
| Increase in receivables from exchange transactions | 377 993 |
| Increase in construction contract receivables | 56 778 |
| Decrease in operating lease assets | (84 648) |
| Increase in finance lease receivables (current) | 652 |
| Decrease in finance lease receivables (non-current) | (21 499) |
| Decrease in operating lease liabilities | 82 843 |
| Decrease in payables from exchange transactions | 262 546 |
| Increase in provisions | (1 707 595) |
| Increase in finance lease obligation (current) | (652) |
| Decrease in finance lease obligation (non-current) | 21 499 |
| Increase in retention liabilities (current) | (172 213) |
| Decrease in retention liabilities (non-current) | 232 466 |
| **Decrease in net assets** | **(951 830)** |
| | |
| **Represented by:** | |
| Increase in accumulated deficit: | |
| Decrease in revenue from exchange transactions | 37 811 |
| Decrease in operating expenses | (240 140) |
| Increase in interest expense | 2 180 |
| **Increase in deficit** | **(200 149)** |
| **Increase in opening accumulated deficit** | **(751 681)** |
| | **(951 830)** |

### *32.1. Corrections of operating and finance leases*

The PMTE has performed a detailed review of its lease agreements. The lease agreements were reviewed to ensure correct classification and recognition in terms of the applicable Standards of GRAP and to ensure the correct payments were made in accordance with the agreements. As a result, operating and finance leases were reclassified and remeasured in accordance with GRAP (note 6, 12 and 17). The PMTE recognised a receivable in prepaid expenses (note 3) after considering impairment due to expired lease agreements. Provisions were made for any under-payments or over-recoveries (see note 16) as the timing of the out flow of monies is uncertain. The PMTE only recognised a contingent asset (see note 24) for under-recovery as we will only claim the monies from clients when the outflow of cash is certain.

## 32. PRIOR PERIOD ERRORS (CONTINUED)

| | Restated 2012/13 R'000 |
|---|---|
| Increase in receivables from exchange transactions | 607 701 |
| Decrease in operating lease assets | (84 648) |
| Increase in finance lease receivables (current) | 652 |
| Decrease in finance lease receivables (non-current) | (21 499) |
| Decrease in operating lease liabilities | 82 843 |
| Increase in payables from exchange transactions | (2 521) |
| Increase in finance lease obligation (current) | (652) |
| Decrease in finance lease obligation (non-current) | 21 499 |
| Increase in provisions | (1 707 595) |
| | **(1 104 220)** |
| Increase in revenue from exchange transaction | 390 |
| Increase in operating expenses | (347 030) |
| Decrease in interest expense | 2 180 |
| Increase in opening accumulated deficit | (759 760) |
| | **(1 104 220)** |

### *32.2. Retention liabilities incorrectly accounted for*

Retentions included in note 14 were incorrectly recorded net of Value Added Tax (VAT). PMTE is not registered for VAT and is not eligible to claim VAT input. In addition, the current and non-current split has been done incorrectly in the prior year. Based on the principle of prescription all balances relating to projects where no payments were made over the last three years were removed.

| | Restated 2012/13 R'000 |
|---|---|
| Decrease in construction contract receivables | (1 250) |
| Increase in retention liabilities (current) | (251 021) |
| Decrease in retentions liabilities (non-current) | 232 466 |
| | **(19 805)** |
| Decrease in revenue from exchange transactions | (1 250) |
| Increase in operating expenses | (18 555) |
| | **(19 805)** |

## 32. PRIOR PERIOD ERRORS (CONTINUED)

### *32.3. Correction of misallocated funds in receivables from exchange transactions*

Management identified a number of instances where transactions were not allocated correctly due to the manual process of recording accrual related transactions and the set-up of BAS (Basic Accounting System) that does not support accrual accounting. Although individually immaterial, a decision was taken to correct these errors in the correct accounting period to avoid incorrect information carried forward into the new accounting system and to enable an adequate audit trail.

| | Restated 2012/13 R'000 |
|---|---|
| Decrease in receivables from exchange transactions | (30 089) |
| Decreases in payables from exchange transactions | 22 467 |
| | **(7 622)** |
| | |
| Decrease in revenue from exchange transactions | (15 680) |
| Decrease in opening accumulated deficit | 8 058 |
| | **(7 622)** |

### *32.4. Restatement of accrued and prepaid expenses*

Due to the PMTE not having an appropriate system for recording accrual transactions, accruals and prepayments were incomplete. In some cases the date of the invoice was used to record the transaction and not the date that the goods were actually received. In other cases the information only became available after the financial statements were submitted for auditing.

| | Restated 2012/13 R'000 |
|---|---|
| Decrease in receivables from exchange transactions | (199 619) |
| Increase in construction contracts and receivables | 58 028 |
| Decrease in payables from exchange transactions | 242 600 |
| Decrease in retention liability (current) | 78 808 |
| | **179 817** |
| | |
| Increase in revenue from exchange transactions | 54 351 |
| Decrease in operating expenses | 125 445 |
| Decrease in opening accumulated deficit | 21 |
| | **179 817** |

## 33. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the change in accounting policy per GRAP 104 - *Financial instruments* standard.

### *GRAP 104 - Financial instruments*

During the year, the PMTE changed its accounting policy with respect to the treatment of impairments on receivables. The PMTE has now elected to reduce the carrying amount of the receivable directly instead of impairing it through the use of an allowance account. Due to the lack of proper systems, the gross receivables are not reliable and therefore disclosure of these amounts could be misleading to the readers of the financial statements. Therefore the PMTE elects to measure the receivable on the net basis.

There is no effect on the line items of the financial statements as a result of the change in the accounting policy.

## 34. BUDGET DIFFERENCES

| | 2013/14<br>R'000 |
|---|---|
| **Reconciliation of budget to actual** | |
| Net cash flows from operating activities | 3 569 058 |
| Net cash flows from investing activities | (2 600 319) |
| **Net decrease in cash and cash equivalents per the cash flow statement** | **968 739** |
| | |
| Cash surplus/ (deficit) per statement of comparison of budget and actual amounts | 968 739 |
| Surplus per statement of financial performance | 2 859 660 |
| Basis difference | **3 828 399** |

The difference between the cash surplus per the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance relates to non-cash movements (see note 23). The PMTE's approved budget was for the 12 month period ending 31 March 2014.

**Explanations of the material variances between the actual amount and final budgeted amount:**

*Accommodation charges - freehold inter-governmental and leasehold inter-governmental*

The revenue projection is based on the invoices issued, while the actual represents the amount received in the bank account. The balance of the amount not received is represented in receivables.

### *Municipal services recoveries*

The revenue projection is based on the invoices issued, while the actual represents the amount received in the bank account. The balance of the amount not received is represented in receivables.

## 34. BUDGET DIFFERENCES (CONTINUED)

### *Maintenance - planned*

The budget is based on the cash flow projection of hundreds of projects. These cash flows change constantly due to SCM processes, conditions on site, etc. The fluctuations are managed as much as possible during the year, through interventions where necessary, but the expenditure will not match the budget exactly.

### *Cleaning and gardening*

The expenditure is based on payments made to suppliers contracted to deliver these services. Of the amount outstanding as at 31 March 2014, a portion relates to accruals where the service was delivered, but not yet paid for.

### *Interest expense*

This is a nominal amount that cannot be predicted in advance. The budget is adjusted towards year end.

### *Maintenance - Unplanned*

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 to re-align with the actual expenditure, but cannot be fixed as the actual number of breakdowns cannot be determined beforehand.

### *Municipal services*

The budgeted amount is based on the invoices issued which are based on payments made for municipal services. Due to the timing difference between the payments and the invoices issued, the actual recoveries may be less than planned.

### *Operating leases*

The budgeted amount is based on the contracts entered into for the financial year. The actual expenditure is 0.2% less than anticipated.

### *Property rates*

The original budget was supplemented with savings from other items to make provision for the payments of invoices received from municipalities relating to arrear property rates accounts. These accounts are still being verified and reconciled with prior year payments to ensure validity before payment is made. The full amount could not be spent by year-end.

### *Disallowances*

The disallowance difference results from payments made which was not recovered or written off.

## 34. BUDGET DIFFERENCES (CONTINUED)

**Explanations for material changes from the approved budget to the final budget**

### *Management fees on municipal service*

This amount is estimated based on the invoices issued on the use of municipal services. The amount will change during the year based on the actual consumption of the client departments.

### *Accommodation charges freehold inter-governmental*

The original budget is based on the projections to be spent on hundreds of projects at the beginning of the year. The adjusted budget is based on the actual invoices issued.

### *Accommodation charges leasehold inter-governmental*

This amount is based on the lease contracts at the beginning of the year and can change when new leases are entered into during the year. The change in projected revenue will be the same for projected expenditure as it is based on the same information.

### *Municipal services recoveries*

The amount at the beginning of the year is based on prior year payments and is fully recoverable. The adjustment is based on the invoices issued during the year. This will change based on the actual consumption of clients. The change in projected revenue will be the same for projected expenditure as it is based on the same information.

### *Accommodation charges - freehold private*

Due to the transfer of functions that took place between the NDPW and the PMTE, this was not originally taken into account when the budget was determined.

### *Advisory services*

This amount was originally budgeted for the implementation of a billing and accounting system. This went to open tender and the result was much less than anticipated. The balance has been redistributed to other priorities.

### *Bursaries*

In terms of a previous agreement between the NDPW and the PMTE, the PMTE agreed to pay R 7 million each year towards bursaries for 3 years. During this year, however, it was decided that this function would shift back to the Department and that no further payments would be made by PMTE.

### *Cleaning and gardening*

The budget at the beginning of the year is based on the contracts in place or envisaged for the year. This amount can change if contracts come to an end or are reduced. These functions can also be in sourced.

## 34. BUDGET DIFFERENCES (CONTINUED)

### *Maintenance - Planned*

The budget is based on the cash flow projection of hundreds of projects. These cash flows change constantly due to SCM processes, conditions on site, etc. The fluctuations are managed as much as possible during the year, through interventions where necessary. Funds are re-allocated between projects during the year based on the updated information.

### *Maintenance - Unplanned*

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 its nature, the budget is monitored closely, but cannot be fixed at the beginning of the year, as the actual number of breakdowns cannot be determined beforehand.

### *Property rates*

The original budget was supplemented with savings from other items to make provision for the payments of invoices received from municipalities relating to arrear property rates accounts emanating from 1994.

### *Disallowances*

No provision was made for this item at the beginning of the year, but funds to the amount of R20 million were moved from other low-spending items during the year based on the submission approved for write-off.

## 35. CAPITAL COMMITMENTS

Commitments for the acquisition of non-financial assets (consisting of property, plant and equipment, investment property, heritage assets and intangible assets) that are contracted for, but not provided for, in the financial statements are reflected in the table below. Included in the capital commitments amount of R4.2 billion are the Contract Price Adjustment Provision (CPAP) commitment of R305 million, year-end accruals for amounts still owed to the contractors for goods and services already delivered, and finally retentions as illustrated below:

| Approved and contracted | 2013/14 R'000 | Restated 2012/13 R'000 |
|---|---|---|
| Gross capital commitments | 4 209 883 | - |
| Retentions | (128 257) | - |
| Accrued expenses | (170 650) | - |
| | **3 910 976** | **-** |

No capital commitments were disclosed in the prior financial year as the underlying property, plant and equipment were recognised in the accounting records of client departments, including the NDPW. The assets were transferred by the NDPW to the PMTE as part of the transfer of functions, which was effective 1 April 2013.

Refer to note 30 for the ageing of capital commitments.

## 36. TRANSFER OF FUNCTIONS

The PMTE was established as a trading entity that operates within the administration of the National Department of Public Works (NDPW). The main purpose of the PMTE was to manage properties under the custodianship of the NDPW. In the prior years, the PMTE incurred all the expenses and collected the revenue for the properties which was recognised by the NDPW and not recognised by the PMTE prior to the transfer of functions. To align the expenses and revenue to the underlying assets, the NDPW transferred certain property management functions, including the related assets, liabilities, and staff, to the PMTE as at 1 April 2013.

During the transfer of functions, the assets and liabilities listed below were acquired at no consideration from the NDPW. The provisional amounts were based on the amount disclosed by the NDPW. Where no values existed or values were unreliable, assets or class of assets were initially transferred at R1 000.

Assets and liabilities acquired on 1 April 2013, relating to the above functions, consists of the following:

| | Opening provisional amount | GRAP adjustments | Closing provisional amount |
|---|---|---|---|
| **Assets** | **R'000** | **R'000** | **R'000** |
| Property, plant and equipment* | 3 519 437 | 5 900 | 3 525 337 |
| Investment property* | 48 988 | 3 898 647 | 3 947 635 |
| Heritage assets# | 4 | - | 4 |
| Intangible assets# | 1 | - | 1 |
| Receivables from exchange transactions* | 9 324 | 1 136 | 10 460 |
| Receivables from non-exchange transactions# | 77 932 | - | 77 932 |
| Operating lease asset* | - | 47 055 | 47 055 |
| | **3 655 686** | **3 952 738** | **7 608 424** |
| **Liabilities** | | | |
| Employee benefit obligations# | (76 014) | - | (76 014) |
| **Net gain on transfer of functions** | **3 579 672** | **3 952 738** | **7 532 410** |
| Contingent liabilities transferred to the PMTE | | | 11 597 |

Functions to be transferred from the NDPW have been identified however the related assets and liabilities have not been recognised by the NDPW, due to the fact that the department is on a modified cash basis. The PMTE is in the process of identifying and measuring the assets and liabilities per the principles of GRAP. In terms of GRAP 105 and Directive 2, the PMTE has 3 years from transfer date to measure all assets and liabilities transferred. Therefore the values above represent provisional amounts as measurement initiatives are still in progress. A service provider has been appointed to assist with the process. These values will be updated to comply with the GRAP requirements in the transitional period.

* These provisional amounts have been transferred from NDPW at the amounts reflected in its audited financial statements for the period ending 31 March 2013. The amounts have been obtained from reports extracted from the procurement system called LOGIS and/or PMIS.

## 36. TRANSFER OF FUNCTIONS (CONTINUED)

# These provisional amounts have not been recognised in the NDPW's audited financial statements, for the period 31 March 2013.

Steps taken to establish the values of property, plant and equipment, investment property, heritage assets and intangible assets recognised at provisional amounts due to the initial adoption of the respective GRAP standards, are as follows:

- *Identification of properties and its components:*
  The PMTE is currently utilising various service providers to assist with the vesting of state land process and physical verification of assets, including identification of significant components in accordance with its asset management policy.
- *Calculate deemed carrying amount:*
  Part of the physical verification process, the condition of the asset is assessed to determine the remaining useful life that will be used in determining the estimated useful life for depreciation purposes and determining a carrying amount in accordance with GRAP.
- *Recording of assets and measuring items or components in accordance with GRAP:*
  Once the physical verification process has been completed, the items must be recorded at a deemed cost (carrying amount) as determined. Moveable assets (computer equipment, furniture and office equipment, other machinery and intangible assets) will be transferred on the LOGIS system to a separate store which is ring-fenced and marked to identify the PMTE's assets. Immovable assets (properties, infrastructure and heritage assets) will be recorded on a separate asset register.

To enable the PMTE to account for these assets in accordance with GRAP, PMTE will measure these assets at a deemed carrying amount. To determine the carrying amounts the following different methods will be applied:

- Movable assets with a cost, recorded on LOGIS system, will be depreciated from acquisition date until transfer of functions date taking into account its current condition and remaining useful life. The deemed carrying amount of movable assets with no values will be based on similar assets taking into account the condition and future use of the asset. The NDPW only included values (cost/deemed cost) for movable assets acquired after April 2002. All other assets were included at no values/R1 in their asset register.
- Using the most recent municipal valuations per municipal rolls dated closest to the transfer date, commencing with the 2013 valuations and onwards, taking into account any capital improvements made to the existing property from date of transfer of the assets to date of municipal valuation used, as well as information obtained from the current physical verification process that is taking place. A valuation tool will be applied to calculate the apportionment of deemed estimated carrying amounts to be allocated to identify components of an asset. Where it has been identified that a municipal valuation cannot be used to value a property, the following generally accepted valuation methodologies will be applied, depending on the nature of the asset:
  - Depreciated Replacement Cost (DRC) methodology for the more specialised properties. Where by the replacement cost is then adjusted using two normative measures to reflect the difference between the existing asset and a new asset of a similar nature. The two normatives are:
    i. Physical condition of the existing asset as compared to the new asset of a similar nature, and
    ii. Functionality of the asset, thus the functional attributes that should form part of a new asset of a similar nature, which may to some extent, be present in the existing asset.

## 36. TRANSFER OF FUNCTIONS (CONTINUED)

- Sales comparison method for vacant land and other properties. Land values will be determined taking cognisance of area-based land values differentiating between regions.
- Moveable assets recorded on the LOGIS system will be depreciated from acquisition date till transfer of functions date taking into account its current condition and remaining useful life.

The date at which full compliance with the GRAP standards is expected, is 31 March 2016.

# Appendix A

## LIST OF ACTS

| Short Title of the Act | Purpose of the Act |
|---|---|
| **Before Union (prior to 1910)** | |
| Cape Outspans Act 17 of 1902 | Resumption of unused Outspans, and cancellation and delimitation of Outspan Servitudes. |
| Pretoria and Military Supply Ordinance,1905 | To render certain Crown Land to the Municipality of Pretoria upon certain conditions. |
| **During Union (1910 – 1961)** | |
| Rhodes Will (Groote Schuur Devolution) Act 09 of 1910 | To provide for the surrender of the Groote Schuur Estate to the government of the Union of South Africa in accordance with the Will of the late Cecil John Rhodes and for the release of the Trustees. |
| Agricultural Holding (Transvaal) Registration Act 22 of 1919 | To approve the division and registration of land in formed Transvaal as an agricultural holding and to cancel such certificates at request for owner. |
| Bethelsdorp Settlement Act 34 of 1921 | To provide for the settlement of certain matters in dispute at Bethelsdorp between the London Missionary Society and its successors, the Congregational Union Church Aid and Missionary Society of South Africa and the Bethelsdorp Board of Supervisors. |
| Mooi River Township Lands Act 05 of 1926 | To provide for the granting of certain land to the Local Board of Township of Mooi River and matters incidental therefore. |
| Carnarvon Outer Commonage Sub-division Act 17 of 1926 | To provide for the cancellation of the title issued under section 14 of Act No 19 of 1913 to the Committee of Management of the Carnarvon Outer Commonage, the sale of certain sowing lands on the said Commonage, the subdivision and allocation of the remaining extent of the said Commonage among the owners of 'opstallen' and persons having grazing and sowing rights thereon and the issue of individual titled to such owners and persons, the disposal of certain other lands owned by the said Committee, and matters incidental thereto. |
| Payment of Quitrent (Cape) Act 14 of 1927 | To regulate the payment of quitrent by part-owner of land, subject to payment of quitrent and situated in the province of the Cape of Good Hope. |
| Marburg Immigration Settlement (Social Board of Management) Act 43 of 1927 | To provide for the constitution of a local Board of Management for the Marburg Immigration Settlement, County of Alfred, in the Province of Natal and certain incidental matters. |
| Cape Outspans Act 17 of 1937 | To provide for the issue of deeds of grant to divisional and municipal councils in respect of Outspans consisting of Crown Land situated in the Cape of Good Hope. |
| Municipal Lands (Muizenberg) Act 09 of 1941 | To make better provision for attaining the object of certain lands adjoining False Bay that are vested in the Council of the City of Cape Town. |
| Cape Town Foreshore Act 26 of 1950 | To provide for the management, control and development of the Cape Town foreshore and to that end, to establish a board in respect of the said foreshore and to define its functions and to provide for through the incidental matters. |
| **Republic (1961 – 1994)** | |
| State Land Disposal Act 48 of 1961 | To provide for the disposal of certain State Land and for matters incidental thereto, and to prohibit the acquisition of State Land by prescription. |
| Paarl Mountain Act 83 of 1970 | To provide for the transfer of the ownership of certain land to the Paarl Municipality for certain purposes and the expropriation of certain rights in such land; to empower the said Municipality to donate a portion or portions of the said land to the State for the purpose of a Language Monument, and to provide for other incidental matters. |

| Short Title of the Act | Purpose of the Act |
|---|---|
| Marburg Immigration Settlement Regulation Act 50 of 1971 | To provide for the subdivision of commonages within the Marburg Immigration Settlement situated in the County of Alfred, province of Natal and the allocation of the relevant portions to, and the dividing of the other assets of the Marburg Immigration Settlement Board, among registered owners of lots within the said Settlement, for matters incidental thereto. |
| Church Square, Pretoria, Development Act 53 of 1972 | To provide for the management and upkeep of Church Square in Tshwane. |
| General Law Amendment Act 102 of 1972 | Section 34. Certain conditions of title applying in respect of immovable property owned by the State to lapse in certain circumstances. |
| The Lake Areas Development Act 39 of 1975 | To provide for the establishment of lake areas under the control of a Lake Areas Development Board, and for matters incidental thereto. |
| Expropriation Act 63 of 1975 | To provide for the expropriation of land and other property for public and certain other purpose and for matters incidental thereto. |
| Rating of State Property Act 79 of 1984 | To repeal certain Acts granting exemption in respect of certain State property from rates levied on immovable property by local authorities; provided that such rates may, notwithstanding certain other exemptions, be levied on other State property, make provision for rebates in respect of such rates levied on State property, and provide for matters such rates levied on State property, and provide for matters incidental thereto. |
| Transfer of Powers and Duties of the State President Act 97 of 1986 | To amend certain laws so as to vest certain functions presently assigned to the State President, in the respective Ministers of State who are charged with the administration of those laws; and to provide for incidental matters. |
| Land Affairs Act 101 of 1987 | To provide for the determination of amounts of compensation, purchase prices or rents in respect of immovable property expropriated, purchased or leased by DPW and Land Affairs for public purposes and providing advice with regard to the value of land and purchase prices or rent in respect of certain immovable property; for that purpose to make provision for the establishment of a Land Affairs Board; and to provide for incidental matters. |
| Commonwealth War Graves Act 08 of 1992 | To prohibit the desecration, damage or destruction of Commonwealth War Graves, to regulate the disinterment, removal, reinterment or cremation of Commonwealth war burial and the removal, alteration, repair or maintenance of Commonwealth War Graves and to provide for matters connected therewith. |
| **South Africa (1994 to date)** | |
| Parliamentary Village Management Board Act 96 of 1998 | To provide for the establishment of a Parliamentary Villages Management Board and matters incidental thereto. |
| Construction Industry Development Board Act 38 of 2000 | To provide for the establishment of the Construction Industry Development Board, and matters incidental thereto. |
| Council for the Built Environment Act 43 of 2000 | To provide for the establishment of the Council for the Built Environment and matters incidental thereto. |
| Architectural Profession Act 44 of 2000 | To provide for the establishment of the Council for the Architectural Profession and matters incidental thereto. |
| Landscape Architectural Professional Act 45 of 2000 | To provide for the establishment of the Council for the Landscape Architectural Profession and matters incidental thereto. |
| Engineering Profession of South Africa Act 46 of 2000 | To provide for the establishment of the Council for the Engineering Profession and matters incidental thereto. |
| Property Valuers Profession Act 47 of 2000 | To provide for the establishment of the Council for the Property Valuers Profession and matters incidental thereto. |
| Project and Construction Management Profession Act 48 of 2000 | To provide for the establishment of the Council for the Project and Construction Management Profession and matters incidental thereto. |

| Short Title of the Act | Purpose of the Act |
|---|---|
| Quantity Surveying Profession Act 49 of 2000 | To provide for the establishment of the Council for the Quantity Surveying Profession and matters incidental thereto. |
| Government Immovable Asset Management Act 19 of 2007 | The purpose of the Act is to provide for a uniform framework for the management of an immovable asset that is held or used by a national or provincial department to ensure the coordination of the use of an immovable asset with the service delivery objectives of a national or provincial department; to provide for issuing of guidelines and minimum standards in respect of immovable asset management by a national or provincial department. |

# Notes

# Notes

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