

# **THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON PUBLIC WORKS AND INFRASTRUCTURE FOR THE FINANCIAL YEAR 2023/24, DATED 13 NOVEMBER 2024**

The Portfolio Committee on Public Works and Infrastructure (the committee, PC PWI) met on 11 October 2024 to consider and assess the performance of the Department of Public Works and Infrastructure (the department, DPWI), the Property Management Trading Entity (PMTE), and public works entities for the financial year under review (2023/24). The committee considered and adopted this report on 13 November 2024.

The committee reports as follows:

## **1. INTRODUCTION:**

The Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009, hereafter referred to as the Money Bills Act) guides the review and recommendations on the budget of the department and the PMTE. Accordingly, this portfolio committee must conduct reviews of their audited financial statements and, if required, issue recommendations on the forward use of resources. The Act further requires that committees submit the budgetary and recommendation reports “after the adoption of the Appropriation Bill and prior to the adoption of the reports on the Medium-Term Budget Policy Statement.”<sup>1</sup>

The portfolio committee is part of the mechanisms through which the National Assembly ensures that the executive is accountable to Parliament. The committee is mandated to maintain oversight of the various manners in which the executive exercises its national executive authority. This includes legislation and all activities of the department, its branches, and entities that report to the minister as the executive authority of the DPWI (section 55(2) of the Constitution).

The oversight activities of the committee form a chain of interlinked events throughout each year of the five-year term of this administration. These events consist of weekly oversight meetings and visits to project sites. It includes engagements throughout each year with institutions supporting democracy such as the Office of the Auditor-General and service delivery departments and entities. The budgetary review and recommendation report (BRRR) is not a stand-alone report based on one event. The report includes reflection on responses of the Minister and the department regarding the committee's queries and recommendations in its budget vote report, quarterly performance reports, and reports from the OAG on audit queries. These responses include other oversight efforts to ensure that the administration, control systems, and financial management lead to the most efficient operation of the DPWI and public works and infrastructure entities.

Section 5(1) of the Money Bills Act further guides that the committee should assess the performance of the department and its entities annually through an analysis of the following regarding the work of the department and entities:

- (a) medium term estimates of expenditure, strategic priorities and measurable objectives, as tabled with the national budget;
- (b) strategic plans;
- (c) the department's expenditure report made to the Treasury in terms of section 32 of the Public Finance Management Act (PFMA);
- (d) the audited financial statements and annual report of such department; and
- (e) reports of the Standing Committee on Public Accounts (SCOPA) relating to a department.

Before dealing with the content and analyses of the report, it is prudent to reflect on and list the legislative framework that forms the mandate of the department. This is followed by the mandate of the National Assembly of Parliament that this committee performs, and the oversight ecosystem of which it forms part.

### **1.1. The Mandate**

This department is not directly involved in service delivery. It is a regulating and coordinating department that provides accommodation and maintenance services to properties on behalf of service delivery departments. It further provides professional built environment, construction, project management, and facilities management services to client departments.

It is an important role player in infrastructure projects and assists local government with integrated spatial development framework planning processes. It plays a standard setting and regulatory role

---

<sup>1</sup> Section 5(4), the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009)

that assists client departments that directly provide services to the public. The assessment of the use of allocated budgetary resources gives a glimpse into how the contribution of each citizen to the fiscus is used to improve the lives of all citizens of the country.

#### **1.1.1. Coordinate Public Works Functions**

The Constitution, in combination with several other pieces of legislation, provide the legal mandate of the DPWI. In the Constitution, the mandate is set as the "Functional Areas of Concurrent National and Provincial Legislative Competence" in Schedule 4, Part A. Schedule 5 Part A lists exclusive functional areas of provincial legal competence that include provincial public works areas of competence.

While Schedules 4 and 5, Parts B list local government matters, section 155(7) provides legislative and executive authority to national and provincial governments to see to the effective performance by municipalities of all these listed public works powers and functions. The DPWI, PMTE, and all its entities are mandated by the Constitution to ensure that all functions pertaining to public works and infrastructure are effectively performed by municipalities.

This is strengthened by section 40(1) of the Constitution providing that the three spheres of government are distinctive, yet interdependent on one another and must perform all powers and functions in an interrelated manner. The unity provided in section one of the Constitution is that this is one, sovereign, democratic state implying that where one fails, all three spheres are implicated and accountable.

#### **1.1.2. Manage Government's Immovable Assets**

The Government Immovable Assets Management Act (GIAMA) (2007) describes the department's mandate and functions in further detail as custodian of the government's immovable properties.

The DPWI makes construction and professional built environment policies, regulations and sets standards. The department includes the Property Management and Trading Entity (PMTE) which functions as an internal component that implements the mandated functions of the DPWI. The PMTE performs its work from eleven regional offices spread through the nine provinces and major metropolitan regions of the country. It provides construction, maintenance, and property management services to all client departments in the national sphere. This includes office accommodation, maintenance, and the rendering of professional built environment services relating to the planning, acquisition, management and disposal of immovable assets.

#### **1.1.3. Coordinate and Facilitate Large Infrastructure Projects**

Since the Department of Public Works (DPW) was amended to include infrastructure on 29 May 2019, the Infrastructure South Africa (ISA) which works with the National Treasury (NT), and the Development Bank of South Africa (DBSA) became an internal entity to coordinate large infrastructure projects through blended finance mechanisms. The Infrastructure Development Act (IDA, 2014) was drafted at a time when the Presidential Infrastructure Coordinating Commission (PICC) coordinated these projects as part of the Infrastructure Investment Office (IIO) in the Presidency. While this Act was intended to coordinate the PICC and not as an Act of the IDA, this entity requires legislation to provide its mandate and functions. At present it functions as part of this department's mandate, under a Memorandum of Understanding binding it to collaborate with NT and the DBSA on mega-infrastructure projects. It is not properly aligned with the coordination and facilitation of public infrastructure development. The IDA needs to be amended to properly align coordinating and facilitating of public infrastructure development across government and provide relevant definitions for the functioning of the ISA.

What is important here, is that the oversight mandate of the portfolio committee was extended across the three spheres of government. This extends to coordinating and facilitation functions of PICC meetings funded by the DPWI. It also includes large infrastructure projects that involve national, provincial and municipal departments.

#### **1.1.4. Regulate Work Opportunities - Expanded Public Works Programmes (EPWP)**

Except for regulating the construction sector and professional built environment, the DPWI plays a regulatory role in employment creation opportunities through the coordination of the EPWP. This programme is implemented by departments and sectors at local, provincial and national spheres. The department plays a regulatory, coordinating, capacity-enhancement, and incentive-granting role to create employment opportunities in collaboration with provincial and local government counterparts.

#### **1.1.5. Public Works, Infrastructure, Construction and Built Environment Professional Entities**

The department is further responsible for the following entities:

- Agrément South Africa (ASA).
- Construction Industry Development Board (CIDB).<sup>2</sup>
- Council for the Built Environment (CBE).<sup>3</sup>
- Independent Development Trust (IDT).

#### **1.1.6. The following Acts form the legislative mandate of the DPWI and PMTE:**

Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007);  
The Infrastructure Development Act (Act No. 23 of 2014)<sup>4</sup>;  
Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);  
Council for the Built Environment Act, 2000 (Act No. 43 of 2000);  
The six Acts that regulate the Built Environment Profession Councils (BEPCs);  
The Agrément South Africa Act, 2015 (Act No. 11 of 2015);  
Public Finance Management Act, 1999 (Act No. 1 of 1999).

#### **1.1.7. Policy Texts**

As the department also lacks its own legislation mandating its functions, it relies on older policy texts. The following policy texts contain the policy mandates of the DPWI, PMTE and public works entities:

DPW White Paper: Public Works, Towards the 21st Century, 1997;  
DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999;  
Construction Sector Transformation Charter, 2006;  
Property Sector Transformation Charter, 2007;  
DPW Broad-based Black Economic Empowerment (BBBEE) Strategy, 2006;  
Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007;  
Green Building Framework, 2011.

#### **1.2. The mandate of the committee**

The committee is established as a mechanism of the National Assembly that must “ensure that all executive organs of state in the national sphere of government are accountable to it;” and “to maintain oversight of (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state.” (section 55(2)(a) and (b)(i)(ii) of the Constitution).

This means that this committee keeps a check on the policy leadership of the Minister of Public Works and Infrastructure and Deputy Minister whose activities comprise executive action. To remove possible conflation of the committee’s duty to scrutinise and oversee executive action and authority, we use the Constitution and financial legislation, to flesh out its meaning in relation to the duties of the Director-General as accounting officer of the department.

Section 4(1) of the Public Finance Management Act (PFMA) (1999) sets out the division of responsibility of the executive authority and the head official of the department. The executive authority is the political head responsible for policy. This is an important task that involves the translation of policy ideals into an operational system consisting of implementable programmes funded by the budget allocated in each financial year.

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

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

- “effective, efficient and transparent systems of financial and risk management and internal control” (section 38(1)(a)(i));
- “a system of internal audit under an internal audit committee (section 38(1)(a)(ii));

---

<sup>2</sup> The department regulates the construction industry through the Construction Industry Development Board Act (No. 38 of 2000).

<sup>3</sup> The Department regulates and built environment through the Council for the Built Environment Act (No. 43 of 2000) and the six Professional Council Acts that regulate the six Built Environment Professions.

<sup>4</sup> See the effects of this as part of the legal mandate of the DPWI below that provides an analysis of the alignment of the Strategic Plan, Annual Performance Plan (APP) and the Annual Reports (AR).

- “an appropriate procurement, and provisioning system” (section 38(1)(a) (iii)) that is fair, equitable, transparent, competitive and cost effective (section 217 of the Constitution);
- “a system for properly evaluating all major capital projects prior to a final decision on the project” (section 38(1)(a)(iv);
- must “take effective and appropriate steps to - collect all money due to the department, trading entity or constitutional institution” (section 38(1)(c)(i));
- “prevent unauthorised, irregular and fruitless and wasteful expenditure and losses ((section 38(1)(c)(ii));
- “manage available working capital efficiently and economically ((section 38(1)(c)(iii);
- regularly report on its outcomes (section 36).

### **The Executive and the Accounting Authorities**

The DG is the accounting (and executing) authority tasked to lead the administration of the DPWI in the translation of the policy that the minister makes into implementable programmes. To ensure that this complies with public law, the Minister must receive reports, analyse them, and ensure steps are taken to comply with the stipulations of the law. This does not mean that the Minister takes over the role and responsibilities of accounting officer; a prudent balance must be maintained between political, executive authorities as policy leaders and administrative leaders (the DG) as accounting officers. This relationship also exists between the CEOs and Board Chairpersons of entities. While the Minister is at a slight distance from the Board and administrations of the entities, the Intergovernmental Cooperation (IGC) keeps him or her up to date with their performance.

Internally, the accounting officer translates the policies into budgeted programmes by establishing effective, efficient, financial risk management and transparent internal control systems for all accounting, and in-year reporting to the Minister and Treasury. Externally, it includes reporting such information to this committee, the Standing Committee on Public Accounts (SCOPA), and other committees, including the select committee in the National Council of Provinces (NCOP) of Parliament.

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

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

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

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

### **The oversight ecosystem**

Informed by the legislative framework, the Office of the Minister<sup>5</sup> and the National Treasury functions

---

<sup>5</sup> Ministerial advisors, support staff, in combination with the Deputy Minister and support staff, functions as the Office of the Minister. Often when the Minister and Deputy Minister are unavailable, the advisory and support staff of the Minister and

as a first level of oversight over the administrative responsibility of the DG. There are various in-year reports regarding revenue and expenditure that the Office of the Minister and the National Treasury should receive from the DG and the senior management team.

The reporting responsibilities of the DG are outlined in section 40 of the PFMA; full and proper records of financial statements must be kept according to prescribed norms and standards, and at various times during the financial year be submitted to the AG for auditing, National Treasury, the executive authority and parliament<sup>6</sup>. It underscores the work of this committee (PC on PWI) as the second level of oversight. The Auditor-General of South Africa (AGSA) functions as the third level of oversight. The committee interacts with the AGSA to deliberate on matters that may need attention as part of its oversight function. To date this collaborative work has been restricted to preparatory work for oversight over the annual financial statement and the annual report. We iterated - as we did during deliberations during the previous financial year - that this should happen on a more regular basis, possibly quarterly or bi-annually, so that we can further assist one another and the department to strengthen its work.

## **2. EVIDENCE THAT THE COMMITTEE USED**

In performing its oversight duty, and following the procedure as set out in the Money Bills Amendment Procedure and Related Matters Act (2009) to assess the department's performance, the committee used the following evidence:

1. The DPWI, PMTE and entities' five-year Strategic Plans (2024-2029), and their Annual Performance Plans.
2. The oversight events of the committee during the period under review. This included:
  - deliberations with the department and the executive authority and entities during the financial year under review.
  - The committee support staff and the Chairperson had meetings with the Office of the Auditor-General to discuss trends that could be identified over the last few financial years.
  - It also conducted meeting focused on the audited Annual Financial Statements (AFS) in the Annual Report and on the performance track of the DPWI and PMTE in the financial year under review.

This report records the analysis of this committee as set out in the introduction of this report, in compliance with section 5(1)(a) to (f) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009).

To give effect to its mandated responsibility to analyse and assess the performance of the department, the committee first assessed the planning documents of the department and the PMTE.

## **3. ALIGNMENT OF THE LEGAL MANDATE, AND PLANNED INITIATIVES AS STATED IN THE DEPARTMENT'S PLANNING DOCUMENTS**

This sub-section provides an analysis of the effects of the planning documents that include the infrastructure component into the mandate of the department and renaming it from the Department of Public Works to the Department of Public Works and Infrastructure (thus from DPW to DPWI).

### **3.1. Infrastructure and Public Works - A Defragmented Spatial Planning and Land Use**

#### **Management Terrain**

Like the previous administration, this five-year administrative term places much emphasis on investing in infrastructure. Since 2019 infrastructure remains a critical area of investment that supports structural transformation, growth and job creation. This is in line with the National Development Plan (NDP) that was adopted as "the guide to our national effort to defeat poverty, unemployment and inequality."<sup>7</sup> There are only four years to 2030 when most of the NDP targets<sup>8</sup> are to be reached. Progress has been too slow and extraordinary measures is needed to achieve what the country set out to achieve by 2030<sup>9</sup>.

The decentralisation of government into national, provincial and municipal levels – and further

---

<sup>6</sup> Deputy Minister must keep the executive authority informed of matters and recommendations emerging from meetings and oversight activities.

<sup>7</sup> All subsections of s 40 of the PFMA in this case, (1)(a) to (f), with the latter stipulating parliament and relevant portfolio committees.

<sup>8</sup> Ibid.

<sup>9</sup> Note that these targets are referred to as Sustainable Development Goals (SDGs) listed in "The 2030 Agenda for Sustainable Development", adopted by all United Nations Member States in 2015.

<sup>9</sup> Ibid.

power fragmentations and contestations within the local government and construction sectors – provides role players a defragmented field within which they must manage infrastructure projects. Since 2011, this problem has been addressed by institutionalising the Presidential Infrastructure Coordinating Commission (PICC) within the Infrastructure Investment Office in the Presidency. This was to unify the coordination of large infrastructure projects and the public works function between the different spheres of government.

In 2019 the Department of Public Works was reconfigured to include an infrastructure component to address defragmentation of public works and infrastructure as evidenced in various cases of spatial planning between municipalities, provinces and national departments of government. The importance of strengthening coordination of large infrastructure development was signaled in the renaming of the department to the Department of Public Works and Infrastructure (DPWI).

### **3.2. Infrastructure South Africa inside DPWI**

#### **The DPWI is the lead coordinating department in the infrastructure sector.**

Infrastructure development as a component was transferred to the DPWI because it was the lead department for the construction, maintenance, accommodation, and social infrastructure facilitation and project management function across the three levels of government. This status as lead department is stated in the mandated function<sup>10</sup> of the department to:

- Provide policy formulation for, as well as coordination, regulation and oversight of the public works, professional built environment, and construction sector; this makes the national DPWI the coordinator and regulator of the accommodation of government departments that simultaneously plays a leading role in the land and infrastructure needs of national departments.
- Enhance intergovernmental relations by coordinating concurrent public works functions as set out in schedule 4 of the Constitution.
- Lead and direct the implementation of the national Expanded Public Works Programme (EPWP) by national and provincial departments and municipalities.
- Promote growth, job creation and transformation in the construction, property, and professional built environment related industries.

This announcement signaled that the role of the Minister as executive authority<sup>11</sup> (EA) would henceforth include functions described in the Infrastructure Development Act (IDA) (23 of 2014).

At first sight this might mean that the infrastructure component would have the public works EA serve on the Presidential Infrastructure Coordinating Commission (PICC) to assist with the coordination and oversight of the fragmented systems of public infrastructure development across the national, provincial and municipal government levels. If so, it would mean that the following three additional functions were added to the public works mandate:

- The coordinating responsibility for all public infrastructure development in the country.
- The Secretariat function of the PICC.
- The Infrastructure Delivery Management System (IDMS) (a system of processes with gateways to manage portfolio, programme, operations, maintenance, and project management to plan and implement infrastructure assets for public service delivery across the three levels of government).

The Strategic Plan (SP) 2020-2025, and the Annual Performance Plans (APP) for the previous financial year 2021/2022 indicated that the DPWI would play a more impactful role “alongside the Infrastructure Investment Office in the Presidency (“IIO”), to structure the country’s Infrastructure-led Economic Growth under a single point of entry where the overall National Infrastructure Plan for South Africa is defined, and the pipeline of bankable projects are focused within a new methodology.”<sup>12</sup>

---

<sup>10</sup> The Constitution (1996), Schedule 4 describes the concurrent mandate of the national department; the Government Immovable Management Act (GIAMA) (no. 19 of 2007) describes its mandated functions as immovable asset manager of national and provincial government.

<sup>11</sup> Public Finance Management Act, (No. 1 of 1999), Chapter 1, under definitions, defines the EA as follows “in relation to a national department, means the Cabinet member who is accountable to Parliament for that department;”

<sup>12</sup> DPWI SP 2020-2025.

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

### 4.1. Budget - DPWI

Programmes		2023/24		Expenditure as %	Final Approp. R'000
	Final Approp.	Actual Expenditure	Variance		
	R8.406 bn	R'000	R'000	%	R'000
1	Administration	590 232	581 309	98.5%	555 009
2	Intergovernmental Coordination	55 817	48 322	86.6%	59 505
3	Expanded Public Works Programme	2 954 207	2 943 671	99.6%	3 023 397
4	Property, Construction Industry Policy and Research	4 740 529	4 667 500	98.5%	4 447 159
5	Prestige Policy	65 181	63 237	97.0%	67 659
	<b>Totals</b>	<b>8 405 966</b>	<b>8 304 039</b>	<b>98.8%</b>	<b>8 152 729</b>

Table 1. Budget allocation per programme 2023-2024

The department received a main vote allocation of R8.406 billion with which to accomplish its priorities, which is an increase of 3.1% when compared to the 2022/23 financial year's adjusted appropriation of R8.153 billion.

As depicted in Table 1, the bulk of the appropriated financial resources (91%) are allocated between Expanded Public Works Programme (35%), Property and Construction Industry Policy, and Research (56%). These two programmes represent the major proportion of the Department's mandate and deliverables. Transfers and subsidies account for 86% of the allocation for 2023/24.

### 4.2. Expenditure analysis

A summary of the Department's financial performance is provided in Tables 2.1 below which show the overall budget and expenditure as well as spending per economic classification.

	2023/24 R'000	2022/23 R'000
Budget allocation	8 405 966	8 152 729
Actual Expenditure	8 304 039	7 910 167
<b>Actual: Spent Budget %</b>	<b>98.8%</b>	<b>97.0%</b>
Unspent funds	101 927	242 562
<b>Actual: Unspent Budget %</b>	<b>1%</b>	<b>3%</b>

Table 2.1: Expenditure Analysis 2023/24

#### 4.2.1. Under expenditure

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

##### Programme 1: Administration

The underspent amount of R9 million in Programme 1 relates to:

- Compensation of employees underspent of R7 million is mainly due to delays in the filling of vacant positions and those that became vacant during the financial year and could not be filled because of cost containment measures.
- Machinery and equipment underspent of R2 million is due to delays in delivery of the procured equipment.

##### Programme 2: Intergovernmental Coordination

The underspent amount of R7 million in Programme 2 relates to:

- Compensation of employees underspent of R7 million is mainly due to delays in the filling of vacant positions and those that became vacant during the financial year and could not be filled because of cost containment measures.

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

The underspent amount of R11 million in Programme 3 relates to:

- Compensation of employees underspent of R11 million is mainly due to delays in the filling of vacant positions and those that became vacant during the financial year and could not be filled because of cost containment measures.

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

The underspent of R73 million in Programme 4 relates to:

- Compensation of employees underspent of R7 million is mainly due to delays in the filling of vacant positions and those that became vacant during the financial year and could not be filled because of cost containment measures.
- Goods and services underspent of R66 million is mainly relates to the delay in the implementation of Infrastructure South Africa project preparation.

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

- The underspent of R1 million in Programme 5 relates to:
- Machinery and equipment underspent of R1 million is mainly due to lower than projected spending on the planned acquisition of assets.

#### **4.2.2. Virement**

At the end of the financial year, the Department shifted funds between sub-programmes and economic classification in line with the PFMA within the threshold of 8%. The funds were then utilised as per table 2.2 below:

<b>Programmes</b>	<b>Adjusted Appropriation 2023/24</b>	<b>Virement of Funds</b>	<b>Final Appropriation 2023/24</b>
	R`000	R`000	R`000
Prog 1: Administration	542 052	48 180	590 232
Prog 2: Intergovernmental Coordination	59 787	(3 970)	55 817
Prog 3: Expanded Public Works Programme	2 958 079	(3 872)	2 954 207
Prog 4: Property and Construction Industry Policy and Research	4 777 745	(37 216)	4 740 529
Prog 5: Prestige Policy	68 303	(3 122)	65 181
<b>TOTAL</b>	<b>8 405 966</b>	-	<b>8 405 966</b>

Table 2.2: Virement for 2023/24

The following virement of funds was applied between and within the Programmes:

- Programme 1 has increased with a net amount of R48.180 million. Virement of funds in this programme was made as follows:
  - R41.107 million increased under goods and services due to higher than projected expenditure for office accommodation approved by the National Treasury.
  - R7.287 million increased under goods and services from Programmes 1 and 3 under goods and services due to higher than projected expenditure for advertisement and legal fees.
  - R5.829 million from compensation of employees to offset excess spending under goods and services. The virement of funds is within the same Programme and different economic classifications.
  - R214 000 decreased under transfers and subsidies (Households) to offset excess spending in Programme 5 under transfers and subsidies (Households).
- Programme 2 has decreased with an amount of R3.970 million to offset excess spending in Programme 1 under goods and services.
- Programme 3 has decreased with a net amount of R3.872 million. The virement of funds in this programme was made as follows:
  - R4.093 million decreased under goods and services to offset excess spending in Programme 1.
  - R82 000 increased to transfers and subsidies (Households) from Programme 4 under transfers and subsidies (Households) to offset excess spending relating to leave gratuities.
  - R139 000 increased to payment for capital assets from Programme 5 under payment for capital assets due to higher than projected spending expenditure.
  - R240 000 from compensation of employees to transfers and subsidies to offset excess spending relating to leave gratuities (Household). The virement of funds is within the same Programme with different economic classifications.
- Programme 4 has decreased with a net amount of R37.216 million. the virement of funds in

this programme was made as follows:

- R41.107 million decreased under goods and services to offset excess spending in Programme 1 approved by the National Treasury.
  - R69.769 million from goods and services and transfers and subsidies (Public corporations and private enterprises) to transfers and subsidies (Departmental agencies and accounts) to provide financial support to the Property Management Trading Entity (PMTE) approved by the National Treasury. The virement of funds were within the same Programme different economic classifications.
  - R4 million increased to transfers and subsidies (Departmental agencies and accounts) from Programme 5 under payment for capital assets to provide financial support to the PMTE approved by the National Treasury.
  - R109 000 decrease under transfer and subsidies (Households) to offset excess spending in Programme 3 and Programme 5 for expenditure relating to leave gratuities (Households).
- Programme 5 has decreased with a net amount of R37.216 million. Virement of funds in this programme was made as follows:
    - R776 000 increased to goods and services from Programme 3 under goods and services to offset higher than projected expenditure relating to state events.
    - R241 000 increased to transfers and subsidies (Households) from programme 1 and 4 under transfers and subsidies (Households) to offset excess spending relating to leave gratuities.

#### **4.2.3. Unauthorised Expenditure**

No unauthorised expenditure was incurred in the current financial year. The current unauthorised expenditure relates to the period between 2007/08 to 2014/15 financial years, and there is ongoing engagement between the National Treasury and the Department to resolve these matters. The committee should note that this has been a long-outstanding matter that will affect the category of unauthorised expenditure for years to come.

#### **4.3. DPWI - Performance Review:**

*ISA Coordinating Strategic Infrastructure Projects (SIPs):*

In 2024, the value of SIP (Strategic Integrated Projects) grew from R340 billion in July 2020 to R540 billion.

In 2024, a total of 89 infrastructure projects were completed.

*Maintenance of government properties:*

The total budget for maintenance in 2024 was R2,851,079,000. R2.9 billion was spent.

The main reasons for the maintenance budget variance were:

- a) Reclassification of Projects: There was a reclassification of projects between capital and operational after the financial year-end. This reclassification caused overspending which was offset by underspending on capital items where these projects were initially budgeted for.
- b) Delays in Client Responses: Delays in client approval of budget allocations and project costs led to under-expenditure. Clients are expected to sign off on their available allocations before the start of the financial year, but some only made the allocations available during the first quarter, causing further delays.
- c) Defaulting Contractors: Delays on site by defaulting contractors and other contractors not delivering in accordance with the projected project expenditure also contributed to the variance.

*Measures to improve client response times:* Based on general practices in project management and public sector operations, potential measures that could be implemented include:

- a) Clear Communication Channels: Establishing clear and efficient communication channels between the PMTE and client departments to ensure timely information exchange and approvals.
- b) Regular Follow-ups: Implementing regular follow-up mechanisms to remind clients of pending approvals and to expedite decision-making processes.
- c) Defined Timelines: Setting defined timelines for client responses and approvals, with agreed-upon deadlines to ensure accountability.
- d) Client Engagement: Increasing client engagement and collaboration through regular meetings and updates to keep clients informed and involved in the project progress.
- e) Escalation Procedures: Establishing escalation procedures for delays, where unresolved issues can be escalated to higher authorities for quicker resolution.

The department's project management and operations specialists should use these broad measures as a basis to develop specifics.

#### **4.4. DPWI Highlights**

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

For the period under review, a draft Construction Industry Development Board Amendment Bill was developed, and its consultations are underway. The intention of the amendment is to identify ways in which regulatory function of the CIDB can be enhanced, determining the effectiveness of the Register of Contractors (RoC) and challenges therein, as well as reviewing the procurement policy implementation in facilitating development and transformation of the construction industry. However, the potential risks associated with the new policy proposals to the draft Construction Industry Development Board Amendment Bill is being explored prior to finalisation.

Other bills include the Infrastructure Development Act and the Public Works Bill.

#### **4.5. Challenges Experienced per Programme**

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

- Delays in implementation of grant projects by public bodies that resulted in underspending of the grant allocation. The delays in the implementation of projects are normally due to internal challenges within public bodies.
- Delays in submission of reports and reporting of projects on the EPWP Reporting System
- Further alignment of projects to labour-intensive methods is required for there is an opportunity to create more work opportunities with existing budgets.
- Poor and under-reporting of work opportunities by public bodies.
- Constant amendments of the project list.

##### **4.5.1. AGSA 2023/24 DPWI Annual Report (DPWI with PMTE issues)**

###### **Unauthorised, irregular, fruitless and wasteful expenditure**

The Auditor General reported an irregular expenditure amount of R3 988 million during the period under review, which is less than the R585 million reported in the prior year 2022/23.

This relates to officials that were appointed in contravention of the Public Service Act.

###### **AG Opinion and Actions to Address Irregularities**

The audit outcomes showed an improvement from the previous financial year as the number of clean audits increased from one to two, with the Construction Industry Development Board (CIDB) joining the Council for Built Environment (CBE) in achieving clean audits. This improvement was attributed to appropriate accounting for revenue generated through the B.U.I.L.D. (Build Unity in Leadership Development) programme in the financial statements of the CIDB.

###### **Status of Material Irregularities Reported in 2023/2024**

The material irregularity identified is as follows:

###### **a) Under-utilisation of Telkom Towers**

- The PMTE purchased the Telkom Towers complex on 07 April 2016 for the value of R694 million with the objective to move the South African Police Services (SAPS) head office operations in Pretoria to one central location. The complex consists of nine buildings, which were functional at the time of purchase. The utilisation of the complex was intended to alleviate the pressure on the private lease budget and to enhance the delivery of services to ordinary citizens by SAPS. However, seven years later, only one out of the nine buildings are being occupied and utilised by SAPS as intended. This leaves eight buildings with a total cost of R592 million vacant and unutilised.
- The audit confirmed the under-utilisation of the eight buildings during the committee's site visit to the Telkom Towers complex on the 12 April 2023. This was again found when the committee visited the Telkom towers site in October 2024. Through on-site observations, and discussions with SAPS staff and the DBSA project manager the committee found that the current state of the buildings is not fit for SAPS to occupy and use as Head Office. It also noted non-functioning lifts, worn carpet due to water ingress, fire equipment not serviced, non-functioning air-conditioning, and lack of electrical connection points in open plans and flooded parking bay. Consequently, SAPS continues to pay excessive amounts on private leases and provide fragmented services to the public around Pretoria CBD, which has affected the access and visibility to the public.
- The accounting officer did not have adequate processes and procedures in place, as required by TR 10.1.2, to ensure that the buildings in the Telkom Towers complex are used in a manner that is effective, efficient, and economical.
- The non-compliance has resulted in the misuse of a material public resource and is likely to

result in further misuse of the resource.

**b) Construction contract extensions approved, incorrectly included contract value adjustment**

- The PMTE entered into a contract with a service provider on 28 November 2013 to construct a magistrate court building in Mamelodi (WCS 044028). The contract was for a period of 18 months for construction and the contract value was R94 742 592,85.
- The construction of the Mamelodi magistrate court project has been significantly delayed and the expenditure paid to date exceeds the initial contract amount. The practical completion date of the contract has been extended and PMTE has been approving the contract extensions with adjustments to the contract value with the daily rate of R24 283,26 charged by the contractor. Based on the approved claims 4, 5, 8 and 9, the delays resulted from civil unrest, riots, strikes and lockouts.
- This was a contravention of the JBCC 2000 Principal Building Agreement Clause 29.1 which stipulates that the contractor is entitled to a revision of the date of practical completion but for which the contract value should not be adjusted if it pertains to delays related to civil unrest, riots or strikes. However, requests for extensions with a financial impact where the cause of the delay related to civil unrest, riots, strikes and related matters were approved.

**c) Lease No. 139901 overpayment**

The PMTE entered into a lease agreement on behalf of the Department of Justice and Constitutional Development (DoJ and CD) with the landlord on 1 April 2011 for a period of five years. Occupation did not take place on the commencement date due to tenant installations, which were being effected by the landlord. During this period, an addendum to the main contract was signed on 7 November 2014 for additional space and an amendment to the commencement date. The impact of this addendum was that the lease commencement date changed to 1 October 2012. The lease has continued on a month-to-month basis after 30 September 2017, which is the expiration of the original lease agreement, to date.

**d) Lease no. 140227 Overpayment**

PMTE entered into a lease agreement on behalf of the Department of Defence (DoD). The original lease agreement was entered into on 24 April 2014 for a period of 5 years and only took effect on occupation on 1 April 2015. The lease agreement was amended for additional space and parking bays based on the same terms and conditions as the main lease with effect from 1 April 2016 for a period of 4 years.

- Upon the implementation of the ARCHIBUS leasing system in September 2019, management commenced consistently making overpayments to the landlord. The overpayments amounting to R14 062 727 occurred from the implementation of ARCHIBUS leasing system up to 31 March 2021. Although some of the overpayments were recovered as at February 2022 the cumulative remaining not recovered overpayments amounted to R3 802 787.
- Effective internal controls were not in place for approval and processing of payments, as required by TR8.1.1 to ensure that correct rental payments for a lease agreement were made and to prevent the overpayments stated above. These controls would have provided management with reasonable assurance that rental payments made were necessary for each month and appropriate. The trading entity is likely to incur a material financial loss of R3 802 787.

**e) Lease No. 140280 Overpayment**

- PMTE appointed a service provider for the leasing of office accommodation and parking bays on behalf of the Department of Rural Development and Land Reform (DRDLR) for four (4) years. The lease commenced on 1 October 2015 with a commencement rental amount of R771 656,22 per month and an annual escalation rate of 5.5%. The expiry date as per the lease agreement was set at 30 September 2019.
- During the 2019-20 financial period, lease overpayments were reported as a result of internal controls weaknesses with regard to the payment processes. These duplicate payments/ overpayments mainly occurred between October 2017 and March 2019. The cumulative overpayments over this period amounted to R9 325 082,75.
- During the 2020-21 financial period, the lease agreement was renewed with effect from 1 June 2019 while the old contract was still active (4 months before it expired). This renewal resulted in a lesser monthly rental payment as compared to the previous lease contract. Management continued to make payments based on the old lease contract which resulted in additional overpayments being made since the renewal period of 1 June 2019 up to the end

of 31 March 2021 amounting to R1 636 993,88.

- Effective internal controls were not in place for approval and processing of payments, as required by TR8.1.1 to ensure that correct rental payments for a lease agreement were made and to prevent the overpayments stated above. These controls would have provided management with reasonable assurance that rental payments made were necessary for each month and appropriate. PMTE was likely to incur a material financial loss of R10 962 076,63.

#### f) Status of previously reported material irregularities

Leeuwkop prison asset not appropriately safeguarded during construction.

- After termination of the initial contractor, the boilers on site were not appropriately covered as they were exposed to severe weather conditions, the plastic covering the boilers was damaged. This had an impact on ancillary equipment as they became corroded and unusable.
- PMTE appointed a service provider for the replacement and maintenance of boilers for a period of 24 months on 26 January 2012. Due to the service provider's continued inability to meet deadlines in relation to the supply and installation of the boilers as per the site programme of works, the contractor was first placed in mora on 18 October 2013 and then the contact was subsequently terminated with effect from 5 June 2014.
- After termination of the initial contractor, the boilers on site were not appropriately covered as they were exposed to severe weather conditions, the plastic covering the boilers was damaged. This had an impact on ancillary equipment as they became corroded and unusable.
- The accounting officer did not take full responsibility for the safeguarding of the boilers while they were on site and after the termination date of the initial contractor, as a result, more costs will be incurred to replace and refurbish critical equipment's that has corroded. This is a contravention of TR10.1.1 (a) which requires that the accounting officer of an institution must take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse. The contravention of TR10.1.1 (a) is likely to result in a material financial loss.

#### 4.5.2. Material Irregularities (MI) Accounting Officer Actions

The accounting office communicated and presented evidence that the following progress has been made on the MI:

- The financial loss of R2 904 700.23 and R1 952 010 was recovered by the accounting officer. This was done by deducting the amount of the financial loss from the invoices that were due to the supplier in August and September 2023. Calculation of the loss was performed, and the full amount has been recovered.
- Approved the standard operating procedures on identification of bridges by province, procurement of bridge components and materials, and transfer of funds in April 2024.
- Initiation of the procurement of consultants (technical staff) to enhance the internal controls was approved on 12 February 2024.

#### 4.5.3. Report on Incomplete Actions:

- Operating procedures to enhance the internal controls remain incomplete – they were reported as being finalisation stages to be finalised by the end of December 2023.
- The department has put in place new controls (such as provider to provide google maps printout supported by weight reports for all invoices and all payments are made on the actual tonnage of goods as received) to prevent transport overpayments.
- The department has written two letters to the service provider outlining the overpayment and the service provider acknowledged and indicated the method of crediting the overpayment to the department. The amount of R2904 700, 23 was deducted and credited to the department. It was confirmed in the letter to the service provider dated 03 August 2023.
- The amount of R1 952 010 was agreed to be credited to the department. The second credit note has been processed through the invoice no. 10056412 on 08 September 2023.

### 4.6. The Property Management Trading Entity (PMTE)

#### 4.6.1. PMTE Budget

The actual receipts for the period ended 31 March 2024 amounts to R18.0 billion which represents 88% of the projected annual receipts. The table below depicts a comparison of the estimated PMTE revenue compared to the actual receipts:

	2023/24
--	---------

Revenue	Final budget	Actual receipts	Variance	% recovered
	R'000	R'000	R'000	
Accommodation charges - leasehold	5 517 017	4 969 740	547 277	90%
Accommodation charges – state owned	6 819 173	5 520 445	1 298 728	81%
Accommodation charges freehold- private	79 346	61 346	18 000	77%
Augmentation	4 276 211	4 276 211	0	100%
Interest, fines, recoveries and other receipts	23 961	138 076	- 114 115	576%
Municipal Services Management Fees	207 314	147 752	59 562	71%
<b>Total</b>	16 923 022	15 113 570	1 809 452	89%
Municipal Services recovered	3 644 758	2 955 038	689 720	81%
<b>Total revenue</b>	<b>20 567 780</b>	<b>18 068 608</b>	<b>2 499 172</b>	<b>88%</b>

Table 3: PMTE Revenue 2023/24

The PMTE budget is part of the overall main vote of the DPWI. Its revenue, including the transfer payment are received from DPWI's transfers, Programme 4.

#### 4.6.2. Expenditure per Economic Classification

Expenditure Items	2023/24			
	Final budget	Total Expenditure	Variance	% Spent
	R'000	R'000	R'000	%
<b>Current Payments</b>				
Cleaning and Gardening	387 716	383 628	4 088	99%
Admin Goods and Services	480 737	404 471	76 266	84%
Maintenance	2 851 079	2 964 845	- 113 766	104%
Municipal Services recovered	3 644 758	3 644 758	0	100%
Leasing (Private owned)	5 693 616	5 693 616	0	100%
Property Rates	1 969 487	1 842 094	127 393	94%
Compensation of Employees	2 165 416	2 131 087	34 329	98%
Municipal Services non-recoverable	450 744	450 744	0	100%
<b>Total current payments</b>	<b>17 643 553</b>	<b>17 515 243</b>	<b>128 310</b>	<b>99%</b>
<b>Capital Payments</b>				
Capital recoverable	1 446 489	1 116 808	329 681	77%
Capital non-recoverable	1 432 869	1 173 169	259 700	82%
Machinery & Equipment	44 869	41 624	3 245	93%
<b>Total capital payments</b>	<b>2 924 227</b>	<b>2 331 601</b>	<b>592 626</b>	<b>80%</b>
<b>Total</b>	<b>20,567,780</b>	<b>19,846,844</b>	<b>720,936</b>	<b>96%</b>

Table 3.1: Spending per economic classification

#### 4.6.3. Explanations - Underspending and Variances

Details of material variance explanation per programme and economic classification are as follows:

- Receipts

The actual receipts for the period ended 31 March 2024 amounts to R18 billion which represents 88% of the projected annual receipts. This is mainly due to unpaid invoices for the State-owned accommodation charges and Municipal Services paid on behalf of the Client Departments.

- **Expenditure**

Details of underspending per programme and economic classification is discussed below:

The total expenditure for the period ended March 2024 was R 19.8 billion which represents 96% of the total budget.

This is mainly due to under-expenditure against the infrastructure projects and the municipal services paid on behalf of Client Departments.

The expenditure is higher than the level of performance of the previous year.

**Programme 1: Administration**

The under expenditure was attributable to the delay in the filling of vacancies.

**Programme 2: Real Estate Investment Services**

The under expenditure was attributable to the delay in the filling of vacancies.

**Programme 3: Construction Management Services**

The variance between the budget and the actual expenditure is due to a reclassification of projects between capital and operational after the financial year end. This seeming overspending is off-set by underspending on the Capital items where these projects were budgeted for.

As the projects are recoverable, the PMTE has to request approval from the client departments before tenders are advertised, when recommended bids are higher than the estimate and every time there is an increase in the cost of the project. Delays in client responses was a major cause of under-expenditure. Clients are expected to sign-off on their available allocations before the start of the financial year, but some Clients only make the allocations available during the first quarter of the financial year. This leads to further delays and under-expenditure as projects cannot be placed on the Procurement Plan before approval of the budget. Further delays are experienced on site by defaulting contractors and other contractors not delivering in accordance with the projected project expenditure. The delay in the filling of the vacant funded positions have also contributed to under spending.

**Programme 4: Real Estate Management Services**

The cause driver of the low spending on this programme is the Property Rates which is based on the rates that will be due to local municipalities based on the valuations of the assets on the PMTE movable asset register, it is divided into Arrears and Current Rates. The under expenditure is attributable to the invoices which could not be paid before the end of the financial year due to the late submission of the invoices.

The unspent funds which were allocated for the rectification of illegally occupied properties have also contributed to under spending.

**Programme 5: Real Estate Information & Registry Services**

The under spending was attributable to the unspent funds which were allocated for the Immovable Asset Register as well as Operation Bring Back (OBB).

**Programme 6: Facilities Management**

The variance between the budget and the actual expenditure is due to a reclassification of projects between capital and operational after the financial year end. This seeming overspending is off-set by underspending on the Capital items where these projects were budgeted for.

## **4.7. Public Works and Infrastructure Entities**

### **4.7.1. The Independent Development Trust (IDT)**

**Background**

In terms of the Public Finance Management Act (PFMA) the IDT is listed as a Schedule 2 entity. This means that it should be able to generate income from management fees collected from client departments for whom it constructs and manages social infrastructure projects. This was a challenge with the DPWI having to provide grants over the last few years to ensure that it continued operating.

**New Board**

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

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

It is in the process of a reconfiguration process driven by the executive authority at the level of

Cabinet. The attempt to reconfigure the IDT is not new. As early as March 1997 Cabinet resolved that the IDT should be "... transformed into a Government Development Agency that will implement projects which are commissioned by Government Departments."

Transforming the entity into such an agency involves close collaboration of the Board with the National Treasury team that was appointed to assist with the process. A business case was completed and presented to the board and the executive authority.

The business case recognised the need for the IDT as social infrastructure delivery entity. The board made a detailed presentation on the current state of the IDT to Cabinet and the Presidential State-Owned Enterprises Council.

Some of the challenges identified by the new Board was that critical technical staff had left that negatively affected the entity's performance. Staff morale remained low as a result of the uncertain future of the IDT following attempts to dissolve the entity in the 2020/21 financial year.

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

### **Improvement Strategies**

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

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

- Client engagement efforts for projects to increase own income-generation;
- Efforts to transform the future organizational form and legal status have started;
- Addressing obsolete enabling information and communications technology (ICT);
- Expediting acquisition of human resource capacity that constrains performance.

### **Restoring the IDT**

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

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

### **Preferred Social Infrastructure Entity**

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

### **Improved Financial Health**

The IDT reported improvement to its financial state due to aggressive efforts to find business generation activities. The business portfolio exceeded R6.6 billion, while programme expenditure stood at R3.3 billion.

Confidence in the IDT as an implementing agent was slowly returning. Despite these improvements, the entity still needs a capital transfer from the DPWI to fund operational costs. The entity hoped to move towards complying with its PFMA schedule 2 status so that it could fund itself.

### **Improvements Reported:**

#### **Supply Chain Management (SCM)**

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

#### **Corporate Governance**

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

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

### **Audit Outcomes Negated Reported Improvements**

The entity received a qualified audit opinion with matters for the second financial year. This was a significant improvement from more than five consecutive disclaimers in previous financial years. The IDT reported that the basis for the qualified audit opinion was due to the material uncertainty relating to the entity's going concern status due to the cash flow forecast for the year ending 31 March 2024 that equals a net cash outflow resulting in a significant decline in available resources. It includes list of contingent liabilities against the IDT as well as programme liabilities amounting to R1.7 billion.

#### **Audit qualifications:**

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

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

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

##### *Revenue Management:*

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

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

Programme liabilities for goods and services received but not yet paid was recorded which resulted in programme liabilities and programme assets disclosed in note 5 being understated by R57 776 990 (R57.8 million).<sup>74</sup>

##### *Procurement and contract management:*

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

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

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

##### *Consequence management:*

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

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

##### *Internal controls:*

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

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

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

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

##### *Reports on SIU Investigations:*

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

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

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

#### **4.7.2. Agrément South Africa (ASA)**

##### **Background**

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

##### **Mission:**

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

- Provide assurance to specifiers and users of the fitness-for-purpose of non-standardised construction related products or systems.
- Support and promote integrated socio-economic development in the Republic, as it relates to the construction industry.
- Support and promote the introduction and use of non-certified standardised construction related products or systems in the local or international market; and
- Support policymakers to minimise the risk associated with using non-standardised construction related products or systems."<sup>13</sup>

##### **Legal Mandate**

The ASA Act mandates the entity to:

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

##### **Alignment with the broad policy frameworks**

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

---

<sup>13</sup> ASA (2023) Annual Report

The ASA Act requires the entity to:

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

To give effect to this legal mandate and through the administration and mechanisms it put in place, ASA developed:

#### **ASA Eco-Labelling system**

- ASA is the competent body to undertake Eco-Labelling for government's buildings and products for a renewable period of five years.
- The Eco-Labelling system will address aspects such as indoor air quality, comfort, environmental, material and energy resource conservation.
- Eco Labelling will be incorporated in the DPWI's Standard Specifications for construction related works.

#### **A Green Rating Tool for public buildings**

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

#### **Strategic links**

With Members of the World Federation of Technical Assessments Organisation (WFTAO), CIDB, CBE, National Home Builders Registration Council (NHBRC), South African Bureau of Standards (SABS) and Government Departments.

#### **Budgetary Allocations per Programme**

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

#### **Statement of Financial Performance**

<b>Statement of financial performance</b>	<b>Budget</b>	<b>Medium Term Estimates</b>			
		<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Expenses</b>					

<b>Current expenses</b>	<b>36,771</b>	<b>37,846</b>	<b>39,862</b>	<b>41,616</b>
Compensation of employees	25,025	26,596	27,757	28,969
Goods and services	10,833	10,879	11,374	11,882
Depreciation	913	372	732	765
Solidarity Fund	—	—	—	—
COVID-19 expenses	—	—	—	—
<b>Total expenses</b>	<b>36,771</b>	<b>37,846</b>	<b>39,862</b>	<b>41,616</b>

ASA's revenue comprised of:

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

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

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

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

#### **Performance review**

ASA reported the following achievements:

- Ten (of 20 planned) Agrément certificates were issued. Products and systems where certificates were issued include, building systems, sanitation systems, and paint.
- Achieved ten of twelve planned targets, (i.e. 83 per cent of the 100 per cent target) for 2022/23.
- ASA's Research and Development Department ASA developed a feasibility study for the development and implementation of a DPWI Green Building Rating Tool (GBRT) to rate the use of innovation, Alternative Building Technologies (ABT) and Socio-Economic development imperatives. This contributes significantly to the DPWI Green Building Policy.
- A Business Plan outlining the sustainability of the proposed tool was being developed. In addition to GBRT, ASA launched the Eco-ASA scheme.
- ASA approved six specifications during the 2022/23 financial year. Overall, the organisation has approved eleven Eco-ASA specifications that will enable ASA to issue Eco-ASA labels on all these categories to promote sustainable development.
- ASA generates its own revenue in the form of Assessment Fees. During the 2022/23 financial year, ASA was able to generate R1.6 million.
- ASA spent R 42.1 million (of the R 59.7 million adjusted budget of 2022/23). The overall expenditure was included within the allocated budgets. The underspending on the budget can be attributed to vacancies within the organisation and delays in finalising various projects.
- ASA had a 14.3 per cent vacancy rate for the 2022/23 financial year.
- It reported that a total of 579 invoices were paid within the legislated 30-day payment period; one invoice of R78 497 was not paid within 30 days due to a delay in the invoice being submitted to finance.

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

#### **AG Audit Opinion**

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

*Expenditure Management*

The AGSA reported:

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

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

#### *Non-Compliance with the Legislative Framework*

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

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

#### **ASA Risk Management**

##### *Executive management's role to manage risk:*

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

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

The risk management function wants to identify, manage and promote:

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

Other components of the risk management function are the:

##### *Audit and Risk Committee*

Oversight Committee of the board and support the Executive management and help ensure that the risk and control procedures are operating as intended.

##### *Internal Audit*

Report to Audit and Risk Committee and provide independent objective assurance on the effectiveness of governance, risk management, and internal controls, including how managers manage and control risks.

Systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

##### **ASA Commitment:**

The entity stated that it wants to continue providing innovative product certifications for SMMEs in order to contribute to the broad policy objective for economic growth and employment creation.

As reported, the entity wants its Eco-labelling and Green Building rating tools, to forge a path for an environmentally friendly, green economy for South Africa.

It is ready to contribute to economic development by testing, quality checking as the pathway to introduce appropriate and suitable products.

Facilitates partnerships with other public entities and helps reduce backlogs in different areas through innovative building technology systems (IBTs), i.e. Housing Backlogs

Facilitates the global acceptance of South African-produced products.

Provides independent and authoritative technical assurance of fitness for purpose.

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

#### **Background and mandate**

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

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

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

#### **The Mandate is to:**

- Provide strategic leadership to the construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector;
- Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry;
- Determine, establish, promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process;
- Promote uniform application of policy throughout all spheres of government and promote uniform and ethical standards, construction procurement reform, and improved procurement delivery management – including a code of conduct;
- Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the registration of projects and contractors.
- The regulation of the construction industry takes place through the Register of Contractors (RoC), Register of Projects (RoP), and code of conduct for all involved in construction procurement. The Construction Industry Development (CID) Regulations of 2004, as amended, gives effect to these prescripts and the CIDB operationalises and enforces them.

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

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

The Board strived to function as a progressive decision-making body while playing an effective oversight role over the entity. It continued to monitor strategies, policies, procedures and plans of action, assessing the organisation's performance against these.

Through engagements with the Minister, the Board received policy guidance to ensure development, transformation and perform regulatory tasks that emerged from National Stakeholder Forum (NSF) discussions. The organisation acquitted itself well against these imperatives and ongoing issues will be taken forward by the new NSF, which will serve in the medium term from 2023 to 2025.

#### **Achievements**

The CIDB reported the following:

- progress in linking the online system to National Treasury's Central Supplier Database, which eliminates the administrative burden on contractors to duplicate documents when applying for Register of Contractors (RoC) registration. The system now enables contractors to register at a higher grade once they have a qualification in construction. The CIDB hoped this would be an incentive for young graduates.

- performance against its performance indicators and targets for the year showed that all 15 planned objectives were met or exceeded.
- receiving an unqualified audit report that reflected the hard work of the administrative and management team, guided by the chief executive and financial officers.
- the completion of the fourth year of the five-year strategy, with its five pillars of transformation, development, regulation, client capacitation and establishing a performance-driven CIDB.
- the B.U.I.L.D Programme showed evidence of gaining traction in the sector and looks set to have a significant effect on development of the construction and infrastructure sector.
- The development of the CIDB Amendment Act was progressing and the entity engaged with and received opinions from the Office of the Chief State Law Adviser, National Treasury and the Department of Justice and Constitutional Development.
- The 2023 quarter one CIDB Small and Medium Enterprises Business Conditions Survey revealed a slight lift in sentiment among contractors on grades 3 to 8, with both confidence and activity above the long-term average and healthier order books.
- The CIDB Construction Monitor noted that at the end of 2022, the value of construction projects awarded increased by more than 100% to R128 billion from the R61 billion of 2020. Construction projects were situated mainly in Gauteng (42%), Free State (19%), KwaZulu-Natal (13%), Western Cape and Eastern Cape (8%). As a result, the project split between public and private sectors stood at 85% and 15% in 2022. Public sector contracts were around R108 billion, a R65 million rise from 2021.
- Activities during 2022/2023 showed positive movement in the construction sector as the entity processed 14.25% more applications (more than 90 000) for contractor registrations than in the 2021/2022 financial year.
- The number of tenders advertised in the public sector increased slightly to just over 4 300.
- The CIDB balance sheet showed evidence of improvement. Income from the entity's registers rose from R97 million to almost R140 million, with grants received up marginally, from R78 million to R80 million, and finance income rising by around R3 million.
- B.U.I.L.D revenue more than doubled, from R62 million to R139 million, which bodes well for the initiative and demonstrates the growing recognition among stakeholders of the pressing need for transformation and professionalism through skills and enterprise development.
- The AG noted no irregular, fruitless nor wasteful expenditure in the CIDB financial statements, reflecting an effective internal control system that remains in compliance with the legislative framework.
- The CIDB administration and management team reported 100% achievement against planned performance indicators and targets showing focus, agility and commitment.
- Online applications accounted for 74% of the total during the year, with registration turnaround time improving from 96% in the previous year to 100%. Systems uptime – a crucial aspect for a company that relies on its online capabilities to allow contractors and clients to fulfil their responsibilities – reached 98% against a target of 95%.
- The target for implementation of the action plan emanating from NSF discussions was also surpassed. This far-reaching list, agreed with the former Minister of Public Works and Infrastructure required action in key areas such as revisions to the RoC and procurement.
- With the consistently high level of underspending on infrastructure budgets hampering activity in the sector, client capacitation continued to be prioritised during 2022/2023. The entity exceeded the planned number of client departments to be assisted by more than 30, bringing the total to 110.
- Seventy-one clients were capacitated on contractor development programmes, double the targeted 36, while 377 grades one to six contractors were provided with development support.

- Stakeholder management saw the entity travelling throughout the nine provinces to ensure awareness of its services to construction contractors. The provincial stakeholder liaison meeting initiative gained momentum and the CIDB to reach scores of public sector clients and grades 5 to 9 contractors. In this way, the sector was made aware of criteria for the RoC and the processes to be registered.
- The entity engaged with clients to promote the Infrastructure Delivery Management System (IDMS), and discussed to identify and resolve bottlenecks in the flow of funds to projects. The B.U.I.L.D Programme received a prominent platform during these encounters, as the entity encouraged clients to comply in the interests of elevating the industry through skills, knowledge and empowerment.
- Our NSF for 2021 to 2023 remained focused on the issues most important to the industry, convening six meetings of its task teams, which were formed to delve more deeply into priority projects.
- The entity's Empowerment and Recognition of Women in Construction (ERWIC) awards staged its third celebration of excellence in August 2022. It showed an ever-increasing interest from the sector and broader industry for its transformation potential.

**Annual Financial Statement**

AFS Notes	2024	2023 Restated*
<b>Revenue</b>		
<b>Revenue from exchange transactions</b>		
Assessment fees	50 125 434	50 537 921
Other income	1 441	371 606
Finance income	13	10 208 646
<b>Total revenue from exchange transactions</b>	<b>60 335 521</b>	<b>57 895 970</b>
<b>Revenue from non-exchange transactions</b>		
Government grants	14	80 012 000
B.U.I.L.D fees	15	139 021 120
Donation received	16	-
Contractor fines		120 000
Annual fees		89 712 568
Service in kind		1 480 706
<b>Total revenue from non-exchange transactions</b>	<b>310 346 394</b>	<b>187 954 465</b>
<b>Total revenue</b>	<b>12</b>	<b>370 681 915</b>
<b>Expenditure</b>		
Employee benefit cost	17	(124 744 318)
Members' emoluments	18	(4 738 690)
Depreciation and amortisation	19	(4 300 536)
Finance costs	20	(6 608)
Debt impairment reversal	21	239 332
Bad debts written off		(186 805)
Operating expenses	22	(91 198 492)
<b>Total expenditure</b>		<b>(224 936 117)</b>
<b>Operating surplus</b>	<b>24</b>	<b>145 745 798</b>
<b>Gain/(loss) on disposal of property, plant and equipment</b>		<b>(841 903)</b>
<b>Surplus for the year</b>	<b>144 903 895</b>	<b>52 165 430</b>

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

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

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

- R80.0 million – government grant.
- R139.0 million - B.U.I.L.D. fees
- R0 – donation received.

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

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

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

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

#### **AGSA Audit Opinion**

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

The AG found no incidences of unauthorised, fruitless irregular and wasteful expenditure and losses in the annual financial statements of the entity. During a review of irregular expenditure transactions, it found an amount of R672 425 that the CIDB confirmed as irregular expenditure incurred in previous years (2020/21). The CIDB disputed the finding and escalated the matter to National Treasury and the appeal was finalised only in December 2022. This resulted in the final finding of no incidences of unauthorised, fruitless irregular and wasteful expenditure and losses in the annual financial statements of the entity. The AGSA also noted the 2021/2022 financial year's fruitless and wasteful expenditure of R13 162.

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

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

#### **4.7.4. The Council for the Built Environment (CBE)**

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

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

#### **Legal Mandate**

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

- a) promote and protect the interest of the public in the built environment;
- b) promote and maintain a sustainable built environment and natural environment;
- c) promote ongoing human resources development in the built environment;
- d) facilitate participation by the built environment professions in integrated development in the context of national goals;
- e) promote appropriate standards of health, safety and environmental protection within the built environment;
- f) promote sound governance of the built environment professions;
- g) promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic;

- h) serve as a forum where the built environment professions can discuss relevant issues such as:
- required qualifications;
  - standards of education;
  - training and competence;
  - promotion of professional status; and
  - legislation impacting on the built environment; and
  - ensure uniform application of norms and guidelines set by the councils for the professions throughout the built environment.

### **Governance Issues**

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

The fifth term council abolished the Company Secretary function and resolved to outsource the function as and when required.

### **Performance for 2023/2024**

Measured against its key performance indicators (KPIs), the entity reported an achievement of 83% (15 out of 18 targets achieved).

On Outcome 1: Optimum Functioning Council, the CBE continued to work on good governance, sound financial management and maintaining a sound internal control environment.

Regarding Advancing Transformation as a target, the entity reported that it developed Transformation Collaborative Committees (TCCs) to guide its contribution to transformation of the built environment sector. Three publications were developed during this financial year. Two advisory briefs were issued on matters emanating from TCCs and submitted to stakeholders. These focused on:

- i. Assessment of candidacy programmes implemented within the public sector;
- ii. Preferential frameworks to drive transformation in the built environment;

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

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

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

### **Incomplete Performance Targets**

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

The annual target for Programme 3.1 was not achieved. Thirty-six out of the forty-four district municipalities were supported through monitoring the implementation of the Structured Candidacy

Programme, translating to 82% achievement of the annual target. The non-achievement of the annual target is due to the non-response of the district municipalities, even after various platforms were employed to secure an audience with them. Moreover, district municipalities are not directly involved in infrastructure projects, hence candidacy programmes are not their priority.

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

## **Financial Information**

### **Revenue**

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

<b>Programme</b>	<b>2022/23</b>			<b>2023/24</b>		
	<b>Budget</b>	<b>Actual Spent</b>	<b>Over/ Under</b>	<b>Budget</b>	<b>Actual Spent</b>	<b>Over/ Under</b>
1 - Administration	52 271	50 280	1 991	55 061	54 964	97
2 - Empowermt & Econ Developmnt	571	805	(234)	935	872	63
3 - Professional Skills and Capacity Developmt	2 084	2 064	20	453	321	132
4 - Research and Knowledge Managemt	648	21	627	522	286	236
5 - Public Protection, Policy and Legislation	816	616	200	829	1 008	(179)
<b>Total</b>	<b>56 390</b>	<b>53 786</b>	<b>2 604</b>	<b>57 800</b>	<b>57 451</b>	<b>349</b>
Assets (additions)	-	1 662	(1 662)		6 079	(6 079)
<b>Total including assets (additions)</b>	<b>56 390</b>	<b>55 448</b>	<b>942</b>	<b>57 800</b>	<b>63 530</b>	<b>(5 730)</b>

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

### **Expenditure per Programme**

#### **Reasons for Over/Under Expenditure**

##### *Programme 1 - Administration*

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

##### *Empowerment and Economic Development*

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

##### *Professional Skills and Capacity Development*

Most engagements were conducted virtually resulting in savings on travel.

##### *Research and Knowledge Management*

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

##### *Public Protection, Policy and Legislation*

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

##### *Asset Additions*

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

##### **AGSA Audit Opinion**

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

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

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

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

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

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

- Four alleged incidents of irregular expenditure were investigated. The final report was issued on 14 December 2020, and remedial controls that were recommended in the report were implemented by 19 January 2023.
- A further case of irregular expenditure was identified during the 2023/24 financial year and is currently under investigation to determine whether any non-compliance has occurred. A draft report was being compiled at the time of meeting

with this portfolio committee.

## **5. NOTE OF APPRECIATION**

This is the first year of the seventh term of this committee's function of scrutinising and overseeing the executive authority in charge of the portfolio of public works and infrastructure. The committee expresses its appreciation to Minister MacPherson, and Deputy Minister Zikalala, for their committed participation, patience, and regularly tabled responses to the recommendations that emerges from deliberations on the scrutiny and oversight work of this committee.

We also thank the Director-General, and all senior management officials of the Department of Public Works and Infrastructure, the teams of the Office of the Auditor-General, and the Board leadership and administrative teams of the entities of public works and infrastructure for the collective commitment and willingness to deliberate and engage with the Members serving in this committee.

We further thank the Parliamentary Monitoring Group (PMG) and especially members of the public for their consistent interest and contributions to monitoring the government. Our collective efforts to scrutinise and oversee were strengthened through robust collaboration aimed at improving government services to the people.

## **6. RECOMMENDATIONS**

The committee noted matters including those from previous years that dilute effectiveness and efficiencies of the department and its entities. It recommends that the Minister ensures that the department and entities provide reports on the following matters and reports on them by March 2026:

1. A report by the Director-General on implementing the Parliamentary Village Board Act (No. 96 of 1998) and establish a fully functional Parliamentary Village Board. Financial reporting and governance needs urgent attention as it has a negative impact on matters such as living conditions, safety, and security of Members of parliament and sessional staff.
2. Progress report on vacancies across the DPWI Head Office and the eleven PMTE regional offices. It should further cover the strategy to draw and retain well qualified, experienced property specialists and construction management professionals to the department and regional offices. It should further provide information on whether the DPWI as lead coordinating department of infrastructure have a strategic plan to address the on-going challenge to appoint critical skills in the property, construction and built environment professional sector.
3. A progress report from the accounting officers (DG and Head of the PMTE) on responses from National Treasury and the Accounting Officers of client departments to deal with the outstanding balance of outstanding debt to the DPWI/PMTE so that detail of disputes and other constraining matters can be identified and dealt with.
4. A report on the use of consultants, project managers, and community liaison officers to effectively deal with social unrest and the invasion of projects that causes delays in completion dates and overspending on infrastructure projects. The report to deal with:
  - 5.1. the need for more effective community liaison and social facilitation to ensure community ownership of infrastructure projects;
  - 5.2. a report with the South African Police Service on a strategy to deal with securing and safeguarding construction projects including protection from 'construction mafias'.
5. A report on the strategy to ensure the appointment of designated groups in the organogram as the annual report showed regression in achieving transformation targets.
6. A report on high vacancies and underspending in specifically key programmes such as Construction Project Management, Facilities Management Services and Asset Registry Services.
7. A report on progress with the SIU investigations.
8. A report on progress with the Knowledge Hub.
9. CBE to report on the operationalisation of the Knowledge Hub, appointment of its management and researchers, and the plan to collaborate with research institutions into the built environment professions that could assist the executive authority to design BEP policies that address key matters that influence the BEP in the future. These are matters (not limited to these only) such as:
  - 9.1. fit-for-purpose teaching in BEP faculties at universities and private higher education institutions covering non-standardised innovative green building material and systems;
  - 9.2. the effect of labour intensive building methods on planning, costing, time-to-

- completion, and construction project management;
- 9.3. the demands of large infrastructure project management that are funded in public private partnership arrangements on the construction project management as a BEP field;
- 9.4. the identification of tendencies and trends emerging in legal cases before courts affecting the work of all BEPs to enhance compliance to the Framework for Infrastructure Procurement Delivery Management (FIPDM);
- 9.5. the skills pipeline from high schools to professional registration; recognition of prior learning that ensures that standards and quality is not diluted in each of the voluntary councils/associations; the relationship between CBE and other BEP councils/associations where BEP professionals register but are not functioning under its mandated authority.
- 10. An update report on the work to reconfigure the IDT into a social infrastructure development and property maintenance agency that serves the objectives of the National Development Plan. This should include the planned collaboration with the Government Technical Advisory Centre (GTAC) to ensure effective and efficiency.
- 11. A progress report from the PMTE Facilities and Construction Project Management team including the lead officials and project manager(s) on investigations into all the allegations related to construction project mismanagement that might lead to Fruitless and Wasteful expenditure. The report to list projects, their geographical positions, client departments, scope of works, bills of quantities, main and sub-contracting companies, include allegations that electrical work was done at the first floor which had to be re-done in a follow-up refurbishment project of the same first floor.
- 12. Quarterly progress reports on the Public Works Bill and the amendment of the legislation of the CIDB and the CBE to respectively transform the construction and professional built environment sector to improve the transformation of the construction industry; strengthen the processing of the funds collected for development and progression of contractors on the Register of Projects; and enforce compliance with the Construction Industry Regulations.
- 13. Reports to the Committee regarding plans to ensure that the IDT is fully capacitated during the 2024/25 financial year. The IDT should be utilised as the preferred Government entity for contraction of infrastructure projects to ensure construction costs containment. The entity must be restructured to ensure greater financial control and it needs to complete this process to achieve an unqualified audit in this financial year. Further improvements are required to ensure that supply chain management conforms to the PFMA and a capital transfer needs to occur from the department to the entity for its operational costs. The committee expects to be kept informed on the progress in relation to the recovery and the reconstruction of IDT on quarterly basis.

**Report to be considered.**