

## Highlights in Minister Nxesi's 2015 Budget Vote Speech

Public Works Minister TW Nxesi, MP has used his 2015 Budget Vote Speech to, among other things, account for what the Department has done over the last year and provide a progress report on the turnaround strategy for Public Works.

Delivering his Budget Vote Speech in Parliament on 06 May 2015, Minister Nxesi, who had during his first Budget Vote Speech in 2012, likened the Department to a patient in an Intensive Care Unit (ICU), said the 'patient' who was last year, stable, had now been discharged from hospital but was still subject to a strict medical and therapeutic regimen.

The Minister said three years into the Seven Year Plan to Rebuild the Department of Public Works – developed in 2012, he can report that the core business areas; namely, the lease management, the Immovable Asset Register and finances, have all been stabilised. He said significant headway in combatting corruption has also been made.

In relation to lease management, the Minister reported that 1,455 out of 1,576 leases were renewed through the National Treasury special dispensation – with projected annual savings of R33 million.

He mentioned the following progress in relation to the Immovable Asset Register:

- Public Works has produced a reliable register of state properties under its custodianship. A total of 99.1% of properties were physically verified. This has already resulted in significant improvements in audit outcomes. He said Public Works was now able to:
  - Determine its property portfolio – comprising 108,657 buildings on 32,509 land parcels;
  - Confirm the existence and high level condition assessment of its properties, and
  - Confirm the User Departments occupying those properties.

Minister Nxesi said the existence of a reliable Immovable Asset Register, and the establishment of a Real Estate Information Registry Services Division, enhances Public Works' ability to leverage this portfolio for socio-economic development, black economic empowerment, support for small businesses and job creation - as well as to generate revenue to maintain state assets.

- The clean audit project – has stabilised the finance and supply chain management environment and addressed negative audit outcomes:
  - The Main Vote improved from a disclaimer to a qualified audit opinion in 2012/13 and an unqualified audit opinion in 2013/14.
  - The PMTE improved from a disclaimer in 2012/13 to a qualified audit opinion in 2013/14 with significantly less areas as the basis for qualification. "Due to the complexity and sheer volume of transactions, the PMTE remains a concern for the 2014/15 audit. We are, however, encouraged by PMTE's steady migration from a simple cash basis of accounting to an accrual (GRAP) basis of accounting.

"In relation to irregular expenditure, 1.5 million transactions were revisited for the period 2009/10 to 2012/13. The result was that the Department identified R35 billion of irregular expenditure –

some of it originating as far back as 2001. All irregular expenditure identified is being systematically investigated for further action,” explained Minister Nxesi.

The Minister said meanwhile, the Department – working with National Treasury - had reviewed SCM processes and put in place control measures to prevent the recurrence of irregular expenditure.

He said he had to report the following mixed picture regarding the issue on the need to pay creditors within 30 days of receipt of invoices:

- With respect to invoices paid within 30 days, the Main Vote’s performance improved from 86% in 2013/14 to 89.4% in 2014/15.
- The PMTE performance has regressed slightly from 93.9% in 2013/14 to 92.3% in 2014/15. This was largely due to the implementation of new billing, accounting and verification systems which only stabilized during the latter part of 2014/15.

In Phase 2 of the turnaround – Efficiency Enhancement, where the Department seeks to improve its business model and processes, the Minister reported that the outputs of the Property Management Trading Entity (PMTE) – which was established in the past year, and its sub-programmes over the last year include the following:

- As part of the Accessibility Programme, 21 buildings were made accessible to people with disabilities, with a further 15 buildings in the final stages;
- Two properties measuring 475 hectares, earmarked for sustainable human settlements, were approved for release in 2014/2015. Systemic issues in relation to disposal processes have been identified and will be addressed in 2015/16 to expedite the disposal of properties identified for human settlement and land reform.
- 160 capital projects representing expenditure of R349 million were completed during 2014/15 – representing expenditure of:
  - 98% of the PMTE Capital Budget compared to 88% in 2013/14;
  - 86% of the Client Capital Budget compared to 70% in 2013/14; and
  - 99% of the Planned Maintenance Budget compared to 84% in 2013/14.

The Minister said PMTE targets for 2015/16 include:

- to make available 100 vacant, unutilized free hold properties for re-development by black developers;
- to make available 600 surplus freehold properties to let out for revenue, utilising the services of black Real Estate Agents;
- In support of Operation Phakisa, the Department has established a special unit to facilitate the development and modernisation of small harbours. “We will also audit all state coastal

reserves falling under the custodianship of Public Works to promote development and job creation,” the Minister remarked.

The Minister said to support delivery of construction projects, Public Works is collaborating closely with the Independent Development Trust (IDT). During 2015/16, the IDT, working with the Department, will finalise its business case and mandate – positioning itself as an implementing arm of Public Works for the social facilitation and delivery of social infrastructure.

In relation to fighting fraud and corruption, the Minister reported, among others, the following achievements:

- The establishment of an Anti-Corruption Unit focusing on investigations and fraud awareness to promote a culture of zero tolerance towards corruption. Investigations commences within 30 days of the receipt of information.
- The backlog of 289 allegations of fraud and corruption were investigated - resulting in 129 disciplinary actions and 18 criminal referrals to SAPS.
- The SIU (Special Investigating Unit) has investigated 39 separate matters and recommended disciplinary action against 41 officials, of which: 3 resigned, 7 were dismissed (including DDGs and Directors), 7 received final written warnings, and the rest are still in process. A total of 22 criminal referrals have been made to SAPS, and civil action undertaken for recovery of fraudulently obtained funds.
- Summons were issued against landlords and former officials to recover money paid for unoccupied buildings, whilst 8 criminal cases have been opened against service providers and an official.
- A comprehensive Fraud Risk Assessment was conducted to inform the introduction of control measures to prevent fraud and corruption before they occur; and
- The Department is re-launching Operation Bring Back to reclaim state properties that have been misappropriated or unlawfully occupied. Previous efforts relied exclusively on the goodwill of the public claiming amnesty. The current project is proactive: investigating and recovering misappropriated state properties – drawing on unusual land and property transfers identified in the process of compiling the Immovable Asset Register.

Minister Nxesi said the Department had identified more than one thousand properties that had been illegally occupied. A panel of mainly black-owned investigation firms had been established to resolve these matters.

He said Operation Bring Back will utilize the National Anti-Corruption Hotline and launch a strong marketing campaign to encourage the public, current and former government employees to report unlawful transactions.

The Minister added that the first National Operation Bring Back Forum would be convened next month with a clear message to wrong-doers: “You can run, but you can’t hide.”