



public works

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS  
REPUBLIC OF SOUTH AFRICA**

# **MINMEC**

*30 September 2015*

## **Report-back on the Turnaround of the Department of Public Works**

**TW Nxesi MP, Minister of Public Works**  
*The Minister of Public Works, Mr TW Nxesi MP, meets  
with the nine provincial MECs of Public Works in Port*

*Elizabeth on 30<sup>th</sup> September to address matters of common interest to the wider Public Works family. This meeting – known as MinMec – takes place quarterly – and expresses the concurrent mandate of the national and provincial departments to deliver government accommodation and manage state immovable assets.*

*The Minister will take this opportunity to provide a progress report on the Turnaround of the National Department and the wider public works family. We are one year into this new Administration and three years into the Turnaround Plan to rebuild Public Works.*

*This report-back also takes place immediately after the tabling to Parliament of the 2014/2015 Annual Report and upon receipt of the report of the Auditor-General for the financial year 2014/15.*

## **Report-back and progress report to MinMec on the Turnaround Plan to rebuild Public Works**

### ***National Department of Public Works (NDPW) and PMTE (Property Management Trading Entity)***

#### ***Turnaround Phase One: Stabilisation***

The Auditor-General's Report for Public Works for the financial year 2014/15 indicates that the stabilisation phase of the Turnaround Plan to rebuild Public Works which focused on the Finance and Supply Chain management functions has continued to entrench the improvements made thus far. I can confidently state that the policy and controls environment has been firmly institutionalised.

With regards to the main account for the Department of Public Works the track record reads as follows:

2011/12 – disclaimed audit opinion

2012/13 – qualified audit opinion (qualified in 3 areas)

2013/14 - unqualified audit opinion

2014/15 – the unqualified audit opinion has been maintained. Previous material findings regarding matters of compliance have also been reduced further. These findings are a clear affirmation of the progress made by the Department and the relevant officials.

The track record of the PMTE (Property Management Trading Entity) also shows continuous improvement in a more complex environment which requires a fundamental redefinition of business processes and financial and operating systems:

2012/13 - PMTE was disclaimed in 4 areas

2013/14 – A qualified audit opinion (3 areas of qualification)

2014/15 – the areas of qualification have reduced to two (accruals and payment of rates and taxes). These areas are now receiving priority treatment.

Of importance to note is the achievements made to correct the mismanagement of leases. In 2014/15 this matter was not qualified by the Auditor-General as had been the case for previous years. Working with the National Treasury, the PMTE was able to address challenges in this area. To maintain this momentum we are improving systems of control through an automated solution which will strictly govern both operational and financial processes.

When I announced the Turnaround Strategy for Public Works in 2012, I said that it was based on two pillars: improving the way we did business and zero tolerance of fraud and corruption – which had become endemic in Public Works. I am pleased to announce further progress in this respect.

Of 319 allegations reported since 2010, 201 cases have been finalised resulting in 183 disciplinary actions

being taken. Eight senior officials were dismissed for misconduct.

Three officials – two based in the Pretoria Regional Office have been dismissed for gross misconduct and corruption. One was found guilty of receiving payments from a service provider. Another was found guilty for demanding R600 000 to facilitate payment of the invoice of a service provider. The third official pleaded guilty to accepting R20 000 from a service provider that subsequently won a tender from the Department.

Investigations successfully completed include the following:

- An official in the Mmabatho Regional Office has been charged with corruption involving contracts to the value of R5 million awarded to a company owned by a close relative.

- 12 officials in the Mthatha Regional Office have been charged for financial misconduct for payments of over R5 million to service providers for which no evidence was found to confirm delivery of goods or services.
- A Project Manager has been charged for awarding a R7 million contract to a construction company with which he had a close relationship, subsequently receiving payments amounting to R26 450 from the company.
- An official of the Horticulture Section of the Pretoria Regional Office was charged with certifying invoices for services not rendered totalling R415 000. In this case the fraud was detected by the Anti-Corruption Unit before payment was made. A criminal case was also registered against the official and the contractor.

Other investigations currently underway include the following:

- The Anti-Corruption Unit is conducting investigations in several regional offices relating to the awarding of day-to-day maintenance contracts amounting to R217 million. This challenge will be addressed systemically by the PMTE as it develops systems to control day-to-day maintenance contracts.
- Working with the SIU, the Department has initiated lifestyle audits on certain officials that appear to be living beyond their means.
- A number of officials at the Pretoria Regional Office are being investigated for abuse of government issued petrol cards – used to fill petrol for privately owned cars in exchange for cash.



- As part of the Operation Bring Back (OBB) Campaign, ten properties with a value of R15 million have been identified, suspected of having been irregularly transferred. Processes are underway to recover these properties. The DPW family (national and provincial) will also conduct detection reviews on all state properties disposed of, going back 10-20 years, to ascertain whether due process was followed. The DPW will promote the use of the Public Service Commission Anti-Corruption Hotline for the duration of the project - which the OBB Unit will monitor.

Public Works Anti-Corruption Unit continues to receive support from the SIU in relation to investigating irregular procurement. Three presidential proclamations are currently in operation to this effect:

- Proclamation R27/2015 – which focuses on special contracts and tenders, leasing of buildings for client

departments, Prestige accommodation and general procurement (SCM) irregularities;

- Proclamation R59/2014 – This deals with irregularities i.e. theft, fraud, corruption, malpractices and/or maladministration within the DPW lease portfolio; and
- Proclamation R54/2014 – which deals with irregularities pertaining to the procurement of goods and services by the Department's Prestige Directorate in respect of 17 Prestige projects in the Cape Town area. In this investigation, a comparison of the final accounts to the initial scope of works, the priced and the provisional Bill of Quantities and the subsequent work done on site - as well as the value for money exercise in relation to the contract agreements - indicate a number of disturbing trends of overbilling by contractors and negligence on the part of Built Environment professionals in the upgrading of the Ministerial houses. The Department is working closely with the SIU to finalise this

investigation and to hold to account both Public Works officials, and contractors and consultants, as well as to recover, through the courts, losses suffered by the Department due to these overpayments.

Conservative provisional calculations indicate that, with regard to 8 of the Prestige Projects in Cape Town, the Department should consider recovery of around R11m from the contractors – for overcharging - and R10m from the consultants – for failure to perform their duties professionally, for example failing to verify invoices for payment and miscalculations on the final accounts.

A total number of 39 matters have been referred to the SIU for investigation under the terms of these proclamations. 17 of those investigations have been concluded and reports issued.

Arising from its investigations, the SIU recommended disciplinary action against 41 officials:

- 3 resigned before action could be taken
- 7 received final written warnings
- 7 officials who were dismissed, and
- 24 DCs are pending.

In terms of criminal action, the SIU has made 19 referrals to SAPS for investigation. Out of those 19 referrals, 18 cases have been registered with SAPS.

In terms of civil action, attempts are underway to recover state monies of ±R304 million in 8 civil matters.

The examples I have given demonstrate that fraud and corruption in Public Works has taken a variety of forms.

The important point is that we now have the machinery in place to detect misconduct and bring the perpetrators to book. More importantly we have also put in place the necessary financial and management controls to minimize the risk of fraud and corruption going forward.

The formation of the Governance, Risk and Compliance Branch (which incorporates the Anti-Corruption Unit) – working closely with the SIU and law enforcement agencies – has proved to be a game-change in the war on fraud and corruption.

In addition to proactively investigating and prosecuting cases of fraud and corruption, the Department has developed a robust Fraud Prevention Plan based on a comprehensive fraud risk assessment.

### ***Turnaround Phase Two: Efficiency Enhancement***

The Department of Public Works and its entity, the Property Management Training Entity (PMTE), have now moved decisively into the second phase of the Turnaround – Efficiency Enhancement – in which we seek to fundamentally transform and improve the way we conduct business.

The prior stabilisation of the Department's finances, together with the compilation of a comprehensive and reliable Immovable Asset Register (IAR) provides the essential foundation upon which to implement a new business model for the PMTE to fulfil its core mandate to provide accommodation to government and to optimally manage the state property portfolio which falls under the custodianship of Public Works.

Moreover, we believe that the improved audit outcomes, I referred to earlier, can only be sustained if

we overhaul and strengthen these line functions and core business areas of the Department and the PMTE.

The Real Estate Information and Registry Services (REIRS) branch has been established within the PMTE to ensure efficient management of the Immovable Asset Register. Achievements include the following:

- We are on track to make the Register compliant with the more stringent GRAP accounting standard (Generally Recognised Accounting Practice) by 31 March 2016.
- The Department has verified 36 852 land parcels identified between the 2013/14 and 2014/15 financial years. Verification and assessment of the remaining 6 900 land parcels has commenced.
- The Department's State Domestic Facilities not on state land have been identified and accounted for.

- A methodology for applying fair values to the Department's properties, based on existing municipal values is being implemented. Approximately 60% of DPW's properties have had municipal values applied in the 2014/15 financial year with the remainder to be completed by 31 March 2016. This has resulted in the disclosure of DPW's properties at R78.1 billion for the year ended 31 March 2015. The disclosed value of assets will increase significantly as the valuation process is finalised – and will be properly reflected on the balance sheet of the state.

The task now falls to the PMTE to leverage this massive property portfolio for economic development, job creation and black economic empowerment – as well as the generation of revenue for the maintenance of the state's assets.



I have argued before that many of the woes of Public Works can be traced to a lack of stable and consistent leadership in the Department. Therefore, to lead the operationalisation of the PMTE we have made a number of important appointments:

- Mr Paul Serote has been seconded from *Kago Solutions and Advisory* to head the PMTE. Mr Serote is a Chartered Accountant and manager with wide experience of the private and public sectors – including a stint in the Office of the Auditor-General.
- Mr Dhaya Govender has been appointed Head of Facilities Management and Real Estate Management and was responsible for the planning and implementation of the first phase of the Turnaround Plan.

- Ms Swanzie Matthews has been appointed Head of Real Estate Registry Services. She is a registered attorney with extensive property management experience and has been instrumental in the current enhancement of the IAR.
- The appointment of the Head of Finance and Supply Chain Management is at an advanced stage.

In addition, the PMTE has identified critical professional technical skills in the engineering, built environment and property and investment management disciplines which will be in-sourced, amongst others, utilising retired professionals.

Phase Two of the Turnaround – Efficiency Enhancement – improving the way we do business – necessarily focuses on the PMTE and includes the following:

- Full operationalization of the PMTE including:
  - Business process re-engineering and the development and implementation of new Service Delivery and Business Operating Models;
  - Developing an ICT (Information Communication Technology) Master Plan aligned to the Service Delivery Model;
  - Developing the necessary PMTE Policy Framework;
  - Driving the implementation of GIAMA (Government Immovable Asset Management Act), including supporting User Departments to compile their U-AMPs (User Asset Management Plans) to better plan and manage the accommodation needs of government departments; and
  - The development of a sustainable model for the day-to-day and planned maintenance of state

assets – which will safeguard the value of state assets whilst generating employment opportunities.

- The PMTE will also provide project office support to the following core Efficiency Enhancement and priority projects:
  - Water treatment management
  - Small town precinct development. Let me flag this one: our aim here is to improve service delivery to the populations of small towns, townships and rural communities through the centralisation of government services in precincts into which government departments' offices will be clustered – such as: Home Affairs, labour, SAPS, Social Services and SASSA. These precincts would also act as hubs for other kinds of economic development – around transport and retail – so there are also implications for job creation. From our side, we

manage one site instead of multiple leases as happens now. Currently, precincts are at various stages of planning in the following locations: Polokwane, Mahikeng, Mount Fletcher, Port St Johns, Mandeni, Christiana, KwaMhlanga, Idutywa and Howick.

*Other priority Efficiency Enhancement projects include:*

- Addressing property rates and municipal services in arrears
- Regularisation of leases
- A GRAP-compliant Immovable Asset Register – which also links to the Clean Audit project for the PMTE
- Energy and water efficiency monitoring and verification in public buildings
- Small Harbours Unit as part of Operation Phakisa

- Turning around construction project management and building technical capacity for mega projects and alternative accommodation
- Intensifying the fight against fraud and corruption, and
- Change management processes to ensure full staff participation.

I cannot over-emphasise this: the full operationalisation of the PMTE – in line with the Cabinet decision of 2014 to transform the PMTE into a Government Component – building on the earlier stabilisation interventions – is the key to the success of the second phase of the Turnaround: Efficiency Enhancement – improving the way we conduct business.

Operationalizing the PMTE, which involves ring-fencing and professionalising the core property business, also frees up the Department of Public Works to focus on its

own core mandate to develop policy and regulation of the built environment, together with providing effective oversight of the wider public works family – particularly provinces and entities.

Current priorities of the Department of Public Works include the following:

1. The creation of 6 million EPWP work opportunities over the five years of this Administration;
2. Strengthening the GRC (Governance, Risk and Compliance) Branch to lead the fight against fraud and corruption;
3. Driving transformation of the built environment – so that the management, ownership and production of built environment professionals better reflects the demographics of South Africa. [It cannot be

acceptable that only 25% of built environment professionals are black.]

Current transformation initiatives of the NDPW and its entities include the following:

- **In relation to Built Environment Professions -**  
The Council for the Built Environment (CBE) recently introduced a mathematics and science support programme that targets learners from disadvantaged communities to obtain better grades in mathematics and science to address the skills pipeline of built environment enrolment at institutions of higher learning.
- CBE's integrated workplace training system has the potential of being the core architecture for a nation-wide skills pipeline for built environment skills delivery. There has been a marked increase in the number of black, coloured and Indian



registered professionals from 7 710 in March 2012 to 11 162 by March 2015, an increase of 45%.

- **Contractor Development** – some 1 090 contractors are currently registered in contractor development programmes. 35% of General Building (GB) contractors have upgraded one or more grades in the last three years. 45% of Civil Engineering (CE) contractors have upgraded one or more grade in that time.
- **Construction Sector Charter Council** - in 2014 it initiated its alignment process of the Construction Sector Codes in line with the revised BBBE Act 2013 (Act No 46 of 2013).
- **Property Sector Charter Council** - has also initiated the process of aligning its sector code in line with the revised codes of good practice in terms of BBBE Act (Act No 46 of 2013).  
Meanwhile, my Department is developing a property management empowerment policy to

directly promote and stimulate transformation of the property environment. On the ground, Annual Performance Plans for PMTE include targets for empowerment in relation to the management of the property portfolio.

4. This production of black and female built environment professionals also links to the task of rebuilding the technical capacity of the state. One of the challenges we identified in turning around Public Works was the lack of appropriate technical skills within the Department. We said that where necessary we would in-source skills, but we would also take a long-term approach of also 'growing our own timber.' Currently NDPW has 734 beneficiaries in its training programmes: Young Professionals - candidates (84); Management Trainees (50); Interns (48); Bursary holders (162); Schools Programme (100); and Water Care Training Programme (290).

NDPW's has also partnered with training authorities in the following areas:

- The Local Government Education and Training Authority (LGSETA) will fund the Finance and Supply Chain Management Graduate Internship in the 2015/2016 financial year that will result in the appointment of 250 Graduate Interns.
- The Construction Education and Training Authority (CETA) continues to fund Technical Internships, the Artisan Development Programme (133), Candidacy (98), Bursaries (141), Skills Development (120), and technical learnerships (440) in the 2015/2016 financial year.
- The Department has entered into an MoU with the organisation - *Generational Training* - and is hosting 306 Water/ Chemical/ Environmental Science graduates in its Water Treatment facilities across the country.

- The Department has further appointed 32 Process Controllers; due to start in October 2015. They will be trained to be Certified Water Professionals.
- The PMTE is developing the Property Management Project with the South African Graduates Development Association (SAGDA) and the Estate Agency Affairs Board (EAAB), with a target of creating a pool of qualified personnel for PMTE. 3 900 youth will benefit from this initiative.
- For the 2015/2016 financial year, we will continue with the roll out of the Internal Auditors Professional Programme which will result in the production of Chartered Internal Auditors for the department. Currently 24 officials are participating in the programme that is facilitated by the Institute of Internal Auditors.

- For 2015/2016, NDPW has entered into agreements with MICT-SETA for an accelerated digital skills programme. An estimated 70 youth are anticipated to participate in this programme.

5. The Department also drives the policy review and White Paper process which will lead to the tabling in Parliament of a Public Works Act – intended to clarify and refresh the mandate of Public Works;

6. The GRC Branch will also lead the strengthening of cooperation and oversight of the Public Works sector in terms of the concurrent mandate.

***The wider Public Works family including provincial departments and public entities reporting to NDPW***

This last point – the concurrent mandate – brings me to the final section of my progress report on the Turnaround of Public Works.

In many ways, one of the most rewarding aspects of the first three years of the Turnaround Plan has been to witness the coming together of the broader Public Works family – national and provincial – in a process of mutual support and respect. Nowhere is this more apparent than in the successful operation of MinMec – every quarter - and the Technical MinMec which precedes it.

When we embarked upon this Turnaround process, it would be true to say that the relationship between national and provincial departments was, at best, a very loose one. Indeed, a poorly performing NDPW was in no condition to provide the kind of oversight and leadership envisaged in the concurrent mandate enshrined in the constitution. I believe that this has now changed – largely because we collectively understood that in order to carry out our respective mandates effectively, we have to work together across a range of areas, including the following:

- Integrated planning of the sector across the next MTEF – with the objective of ensuring that APPs of national and provincial public works will be more synergized. This has, for instance, culminated in bilateral engagements with the MEC of the Western Cape to discuss matters around the harbours as part of Operation Phakisa and the creation of employment in the coastal areas.
- In relation to energy efficiency, water saving and green building policy - sectoral policies and guidelines have been finalized with the involvement of provinces, and including a review of the work being done at both national and provincial Public Works departments. We are also looking at the job creation potential of these programmes.
- Addressing the registration processes of the Cuban Technical Assistance Programme – working through the CBE and the Professional Council (ECSA) - and

based on the needs assessments of the provinces and national department.

- In relation to Immovable Asset Management, the sector has finalized the Immovable Asset Life Cycle Management guideline document to be adopted at the MinMec meeting today which provides guidelines for the implementation of GIAMA.
- The public works sector is also striving to establish synergy between National and Provincial Public Works regarding the systems being utilized for the Immovable Asset Register programme to realise the 31 March 2016 deadline.
- The sector has established a national forum, called Operation Bring Back to investigate and acquire the information on misappropriated, as well as abandoned, properties at both National and Provincial level.



- In relation to debt owed by government to municipalities, the public works sector is developing recommendations to be presented to Cabinet for intervention. This process entails gathering full and accurate information. Provinces were requested to consider providing assistance for struggling Municipalities by establishing teams which will be deployed within the Municipalities to resolve the challenges associated with the outstanding debt.
- In relation to EPWP, (Expanded Public Works Programme), NDPW coordinates implementing activities by a range of national departments, the provinces and municipalities – as well as non-profit organisations. The public works sector continuously monitors the implementation of the EPWP by public bodies across all spheres of government on a quarterly basis through MinMec platforms. This also entails looking into best practices of the programme and the impact it has on the unemployment challenges of the country. It is by working together in

this way that we have been able to deliver and are on track to achieve the target of 6 million work opportunities during the period of this Administration (by 2019).

Locally, the Non-State Sector of EPWP is supporting 13 Non-Profit Organisations in Cacadu District Municipality - which Nelson Mandela Bay Metro falls under – creating over 2 000 work opportunities.

- During the last year, the GIAMA Implementation Technical Committee (GITC) was revived to ensure a uniform immovable asset management framework to promote effective and coordinated immovable asset management within government. This body provides for an interactive and consultative forum of stakeholders to give effect to the GIAMA legislation with the aim of optimising the cost of accommodation to government and the use of state-owned immovable assets.

- To promote compliance with the 30 day payment to service providers, the public works sector has adopted draft regulations under the auspices of CIDB which were published for public comment. The revised regulations will be duly approved by the executive authority.
- The performance of the public works sector in respect of implementation of the NCDP (National Contractor Development Programme) is monitored on a quarterly basis through CIDB with a view to implementing common strategies to develop emerging contractors as part of transformation imperatives for the sector.
- During this year, the National Department – working with CIDB – has prioritised the development of the *National Immovable Asset Maintenance Management (NIAMM) Framework* to give effect to the National Infrastructure Maintenance Strategy required by Cabinet. The project team has presented to the GIAMA Implementation Technical Committee

of MinMec and workshops are planned during October and November for national and provincial custodians of state assets. Let me flag the significance of the development of NIAMM - in establishing policy and technical guidelines to ensure the effective maintenance of state immovable assets in a uniform and compliant manner.

Looking forward, I believe that it is essential that we maintain this momentum and continue to work together as a public works sector; so that we support each other in the core task of optimally managing state immovable assets and providing government accommodation which is economical and facilitates service delivery to the public.

In summary we have stabilised the National Department of Public Works, whilst working closely with provincial departments to strengthen the broader public works family. Together we have built a firm foundation for the delivery of infrastructure to

government and the sound management of state assets for economic development, job creation and empowerment.

I thank you.