



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

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

Ministerial Address to National Office Staff

9h00, 31 January 2017

TW Nxesi MP, Minister of Public Works

Protocol

- Programme Director
- DG and senior management
- Union reps
- Staff of the Department of Public Works
- Colleagues

Thank you for attending this meeting and welcome back from the Christmas break – rested, I hope, and ready to face the challenges of 2017.

First let me thank you for your hard work and commitment in 2016 – on the whole the Department – and PMTE – continue to move forward with the Implementation of the Seven Year Plan to Rebuild Public Works which we announced in 2012. I said at the time that the Turnaround would be a process not an event. This is particularly true for a Department like Public Works – highly technical, highly complex and with a multitude of programmes and sub-programmes.

Today I want to do two things:

- Give you a report back on the progress we have made, and
- Provide a sense of where we are going and the priorities for 2017.

The 7 Year Plan was based on two fundamental pillars:

- Zero tolerance of corruption, and
- Improving the way that we do business.

We also said that the Turnaround would take place in phases:

- The first phase – Stabilisation – was to stop the bleeding – the dodgy leases, the negative audits
- We are currently firmly in the second phase – of Efficiency Enhancement – which is about improving the way we do business.

You remember when I was appointed as Minister of Public Works, the Department was facing major challenges, including the following:

- a number of lease scandals
- 8 consecutive years of negative findings by the Auditor-General culminating in multiple disclaimers
- *(not to mention the Nkandla issue that we inherited).*

All of this reflected a number of weaknesses:

- Corruption
- Lack of proper systems
- Lack of appropriate skills – in what is a very technical department
- Unstable leadership – ministers coming and going, same for DGs – and senior managers in acting positions.

That is also why we worked so closely with the National Treasury, back in 2012, to develop our 7 Year Plan – exactly to ensure the necessary levels of compliance and financial and management controls.

[As well as implementing recommendations of the Public Protector.]

I also said at the time that we had to start by rebuilding capacity within the Department of Public Works:

- starting with the stabilization of effective and capable leadership – the Director General, CFO and Head of the PMTE (Property Management Trading Entity) as well as other senior appointments.
- *The task was to embed capacity in the Department under the Director-General. Ministers come and go, but the Department remains – and that is where we need to build capacity.*
- This is especially important when it comes to Public Works – which is a very technical department. This is why – in the new structure – we have established a Professional Services Branch – with the specific mandate to rebuild technical and professional capacity within the Department (engineers, quantity surveyors, property specialists etc) – but also to transform the sector (We cannot be complacent that only 25% of professionals are black.)

- In fact, a week ago we held the annual Public Works Bursary Awards – 40 full bursaries to high-performing students from disadvantaged communities – who are going to study for degrees in the Built Environment disciplines – thereafter they will join the Department as Candidate Professionals – and receive the necessary work experience and mentoring to qualify as registered professionals.
- Since 2014 we have awarded 228 bursaries. 27 of these students joined the Department as candidate professionals. A further 32 are expected to join us this year.

Let me get back to the two pillars of the Turnaround:

1. First: Zero tolerance of corruption

I want to emphasise this one: Colleagues, corruption is killing this country: it diverts resources from service delivery to the poor, it sets comrade against comrade (it is at the root of political divisions and factionalism),

and it demoralises the thousands of honest, committed public servants.

Some of the main measures taken, so far, include:

- The establishment of a specialized branch – Governance, Risk and Compliance – to lead the fight against fraud and corruption.
- Statistics:
 - DPW's Anti-Corruption Unit investigated 363 internal allegations between 2010 and 2017 resulting in 241 recommendations for disciplinary action – of which 192 are finalised with sanctions varying from dismissal, final written warning and suspension without pay. There were also 36 referrals to SAPS for criminal investigation and prosecution.
 - The Department also works very closely with the SIU (Special Investigating Unit) on matters of fraud and corruption. They have completed 96 investigations into procurement irregularities in relation to leases and capital projects leading to

disciplinary action, referrals for criminal investigation and civil actions to recover monies fraudulently attained. The SIU is currently investigating some 4,450 allegations – mostly for ‘conflict of interest’ [An example is where an employee or family member is doing business with the Department. DPSA has out-lawed that to prevent corruption.]

- But the task, we faced five years ago, was much wider than going after wrong-doers – we also needed to put in place mechanisms to ensure legal compliance, including financial and management controls, and to manage risk – so as to curtail the opportunities for fraud before it happens. [*By the way, this approach, in part, was developed in consultation with SARS back in 2012. Their philosophy was this: punish the wrong-doers, but more important: curtail the opportunities for wrongdoing in the first place.*]

- An important part of ensuring compliance, was addressed by our successful 'Clean Audit Project' to turnaround the negative findings of the Auditor-General:
 - In relation to the DPW Main Vote, we have moved from disclaimers to an unqualified audit over the last three years;
 - In the more complex environment of the PMTE, we have moved from disclaimers to qualified audits - progressively reducing the areas of qualification from year to year (from 26 findings down to 2 last year).

My second pillar of the Turnaround:

2. Improving the way we do business

Principally this is about professionalizing the property management function of Public Works and ring-fencing

this function within the Property Management Trading Entity (PMTE).

This was a major undertaking:

- requiring a new structure both for the Department and the PMTE
- the acquisition of the necessary skills, and
- the development of the necessary policies and business processes. That is where we are now.

Let me give you a sense of the magnitude of the task – in PMTE we are talking about the largest property portfolio in South Africa – or the continent for that matter – some 92,593 facilities on 31,310 land parcels. Before we operationalised the PMTE, the property portfolio was being run like a spaza shop – lacking the necessary skills and systems. This was not the fault of staff – it represented a failure of planning and a lack of stable leadership.

Highlights and achievements include the following:

- In 2015, for the first time, we were able to present a comprehensive ***Immovable Asset Register*** – of all state properties falling under Public Works.
[Previously we didn't even have an accurate list of the properties we were responsible for looking after.]
We have also worked with the provinces to update their asset registers.
- In financial year 2015/16 we managed to ascribe deemed values to these properties – a value (conservatively) of R112 billion. This will also now reflect on the country national balance sheet.
[Previously we had no idea of the value of the properties we were responsible for.]
- Finalization of the Asset Register is a real game-changer. We now know what we have – and the value and condition of the properties. And the PMTE has the necessary capacity and skills to analyze the properties portfolio so that we can use them more productively. This includes the following:

- Improving accommodation to clients (government departments);
- Cutting costs – by making better use of state properties, and reducing reliance on leasing-in from the private sector;
- Better maintenance of state properties – this also has implications for job creation and skills development;
- Leasing out of properties which are not currently being utilized – to generate revenue for the state;
- Making available land and properties for social purposes – including: land reform, housing and the development of government precincts in small towns and small harbours (as part of Operation Phakisa);
- More generally, we believe that the PMTE will be able to creatively leverage this huge property portfolio for revenue generation for the state, and for economic development - with major

implications for jobs, skills development and empowerment.

- The finalisation of the Asset Register also assisted us to launch another anti-corruption programme – Operation Bring Back – designed to identify and reclaim state properties which were illegally occupied or disposed of. In the process of verifying the Asset Register we identified 1,287 properties which had been illegally occupied.

So that is where we are right now. We have put our house in order. The PMTE is developing new business models to leverage the property and leasing portfolios for inclusive transformation – as well as cost containment and income generation.

Priorities for 2017

Economic Background – I need to say a few words about the difficult economic circumstances in which we are working:

The Mid-Term Budget Policy Statement – at the end of 2016 - announced a reduction in spending ceilings – in plain language: cuts - of R26 billion over the next two financial years. As the Department of Public Works we have been working hard on cost containment measures since the beginning of 2016.

But – in my own Policy Statement in June 2016 - I also said, that as a Department which is sitting on billions of rands worth of under-utilised immovable assets (*which if you don't use them are actually liabilities not assets*), we are in a position to start generating income from these assets. The PMTE (Property Management Trading Entity) is prioritising this matter in 2017.

The budget cuts go beyond just cutting management perks. They also affect our ability to fill vacancies in the

Department. Fortunately, the Treasury has cut us some slack with regard to the PMTE. But we are going to have to be very strategic about the appointments we make – with the focus on the skills we need to fully operationalise and professionalise the PMTE.

Both in the 2016 Budget Speech and in the Medium Term Budget Policy Statement, Minister Pravin Gordhan enjoins us all to work together in the national interest and in particular for government to work with the private sector – to the mutual benefit of all parties – with the objective of re-igniting inclusive and sustainable economic growth.

To this end we held a number of useful meetings with the construction, property and banking sectors in 2016 - to explore areas of cooperation and to develop appropriate models to leverage our very large (R4 billion) leasing-in portfolio with the following goals in mind:

- To secure value for money for our clients – government departments – and this is also about facilitating the provision of front-line service to the public; and
- To promote transformation and black empowerment in the property sector.

To quote the Minister of Finance: “*Ditau tsa hloka seboka di shitwa ke nare e hlotsa.*” (Lions that fail to work as a team will struggle to bring down even a limping buffalo.) – that is the one part of the Medium Term Budget Policy Statement that we will all remember.

Priorities in 2017

I said that many of the problems faced by Public Works in the past were due to a lack of planning by management. We have changed all that. The quality of our planning processes has greatly strengthened. We have also introduced the necessary changes to align

the structure of the Department and the PMTE with their mandates.

But we don't just plan for the sake of it. In 2017 I have said to the management that we have to move from conceptualisation and planning to implementation of the plans we have developed and concrete service delivery. I believe that this is key to success in phase two of the Turnaround: Efficiency Enhancement.

Other priorities for 2017 include:

- A renewed anti-fraud and corruption drive – especially in those areas which previously were hidden from view – such as day-to-day maintenance. But we must also go after the low-hanging fruit in Operation Bring Back – where we know a property is being illegally occupied we have to take action. By the way the Limpopo Regional Office has been doing well in this regard.

- We will continue to improve our audit outcomes in this financial year – 2016-17. But in the new financial year that starts in April, I expect nothing less than unqualified audits both for the Department and the PMTE – and that means working hard to strengthen systems in the operational areas most at risk:
 - Project Expenditure
 - Immovable Asset Register
 - Maintenance
 - Leases, and
 - Property Payments

- And key to achieving our goals of improving service delivery and improving the way we do business is to fast-track the implementation of the ICT (computer systems) Plan to support the business of PMTE and the Department. This is critical – and it's going to have to respond flexibly to changing business processes. It also calls for continuous training and re-orientation – not only for IT staff – but also for the other stakeholder and users.

- Lastly, I want to say something about what they call 'change management'. This is a simple idea that says – if you are going to change the way you do business, you had better keep your staff informed if you want them to be on board.

I am aware that the unions have been consulted on the new organisational structure – and together with management have negotiated a process and structures to oversee the migration process into the new structure. The guiding principle here is that nobody loses: this is the Public Service – you cannot lose your job and your conditions of service cannot be negatively affected. In addition, the new organisational structure offers real opportunities for training, personal growth and improved career pathing.

But I am very mindful that most of our energies have been directed towards sorting out management

issues – stabilisation; putting in place strong management controls; aligning structure to mandate; operationalising the PMTE; improving planning – and so on.

In 2017, perhaps DG, the focus should be much more towards the rest of the staff: improving communication – not just top-down communication, but also listening to staff concerns and inputs.

This is also linked to changing the organisational and work culture of the Department – securing the buy-in of all employees for the Turnaround Process, re-igniting the enthusiasm, loyalty and participation of all staff. So DG, HR, Communications – in 2017 let us make it a priority to listen to staff, to communicate with staff and ensure that every staff member is clear about their role and what is expected of them; that they receive the necessary support and training to achieve their targets – and that where people do well, their achievements are recognised.

One final point: it is not enough that we listen to staff once a year at meetings like this. Branches and Units must hold regular sessions with staff – to keep them informed – and to listen to their inputs. This would be focused on the business issues – not the labour/HR issues that are dealt with through the normal bargaining structures.

On that note, let me pause, and allow for questions and comments from the floor.

I thank you.