



**MINISTRY
PUBLIC WORKS
REPUBLIC OF SOUTH AFRICA**

**BUDGET VOTE SPEECH
VOTE 7: PUBLIC WORKS**

**TW NXESI
MINISTER OF PUBLIC WORKS
8 MAY 2013**

***Rebuilding the Department of Public Works:
rebuild capacity, improve service delivery and expand job creation***

EMBARGOED UNTIL 9h45, 8 May 2013

1. Introduction

- Honourable Chairperson
- Honourable members of Cabinet
- Honourable MECs
- Honourable Chairperson and members of the Portfolio Committee on Public Works
- Honourable Members of Parliament

Let me also recognise in the gallery the presence of:

- Chairpersons and senior management of our Public Entities;
- The Director-General and senior management of the Department;
- Representatives from DPW's Young Professionals training scheme, and beneficiaries of the EPWP programme;
- Members of my family, and particularly my wife

- Distinguished guests, ladies and gentlemen

Welcome.

In the time available I want to cover the following:

- To present the budget vote for 2013/2014, and to share with you what we intend to accomplish with the funding that is being availed;
- To account for what we have done as a Department over the last year – 2012/2013 - the successes and the challenges; and
- Most importantly to convince this House that the Department of Public Works is serious about turning itself around; that we have a plan to take us forward; and that we have put in place the building blocks to rebuild Public Works .

2. The budget vote

The Departmental budget allocation has been reduced by 20% from a total budget of R7.7billion in 2012/13 to R6.2 billion in 2013/14. Over the MTEF, the budget will increase at 6% per annum to provide for inflationary escalations.

The 20% decrease in 2013/14 is attributable to the following:

- The phasing out of the devolution of the property rates grant to provinces which will constitute part of the provincial equitable share.
- Reductions of the department's infrastructure budget over the MTEF period as follows:
 - Cabinet approved budget reductions of R1.5 billion over the MTEF.
 - Shifting of R290 million from the Department's infrastructure budget to the Department of Home Affairs for border management in line with the devolution of budgets to line departments

Adjustments to the department's baseline to be effected over the medium term reflect the on-going reorganisation of the Department and new priorities, and include the following:

- A reprioritisation of R827 million to the *Administration* and the *Immovable Asset Management* programmes to provide for the implementation of a turnaround programme in the department.
- A reprioritisation of R30 million to the Council for the Built Environment for the acceleration of transformation in the built environment sector.
- A reprioritisation of R150 million to the Independent Development Trust for the implementation of a transformation programme within the entity.

- Additional funds of R133 million provided for improved conditions of service in the Department as well as additional allocations to the Council for the Built Environment and the Construction Industry Development Board.
- A reprioritisation of R247 million from the EPWP Integrated Grant for Municipalities to the EPWP programme for the Non-state Sector to capitalise on the effectiveness of the Non-state Sector's programmes in the creation of work opportunities.

The Department's budget reflects government priorities and the Department's efforts to address the following outcomes:

- Outcome 4: Creating decent employment through inclusive economic growth
- Outcome 8: Sustainable human settlements and improved quality of household life, and
- Outcome 12: Creating an efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

My Department contributes to attaining the further two outcomes:

- Outcome 5: A skilled and capable workforce to support an inclusive citizenship, and
- Outcome 6: To create an efficient, competitive and responsive infrastructure network.

In relation to the National Development Plan, whilst my Department supports many of the identified goals, our emphasis is on the following:

- A social compact to reduce poverty and inequality, and raise employment and investment.
- A strategy to address poverty and its impacts by broadening access to employment, strengthening the social wage, improving public transport and raising rural incomes.
- Steps by the state to professionalise the public service, strengthen accountability, improve coordination and prosecute corruption.
- An education accountability chain, with lines of responsibility from state to classroom.
- Phase in national health insurance, with a focus on upgrading public health facilities, producing more health professionals and reducing the relative cost of private health care.
- Public infrastructure investment at 10% of gross domestic product (GDP), financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water.
- Interventions to ensure environmental sustainability and resilience to future shocks.
- New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps; and
- Reduce crime by strengthening criminal justice and improving community environments.

In addition to its core mandate as custodian and manager of the state's immovable assets, the Department of Public Works has a further mandate to create jobs and work opportunities and to address skills shortages, particularly in the Built Environment professions. All of these speak to the outcomes I highlighted earlier.

It is important to make the point, that despite serious flaws, major sections of the DPW remain productive – due to the commitment and hard work of officials. EPWP is a case in point.

3. Expanded Public Works Programme

EPWP is a flagship programme of this Department and of government – a successful and effective part of government's response to the triple challenge of poverty, unemployment and inequality. Our initial target in the second phase of the EPWP - for the period 2009-2014 - was to create 4.5 million work opportunities. We have made steady progress towards achieving our targets.

Indeed, in response to the President's call in the State of the National Address to increase efforts to combat unemployment, I am pleased to confirm that EPWP's target for the creation of new job opportunities in the current year – 2013/2014 – have been up-scaled from 1.2 million to 1.65 million.

What this means, in real terms, is that an additional 450,000 job opportunities will be created this year – benefitting both unemployed individuals, and their families. This increase brings the new target for the period 2009-2014 to almost 5 million – with a special emphasis on unemployed youth and women. As part of this, some 8,000 youth will be recruited for artisan training to be employed by the national and provincial departments of public works.

Moreover, in our choice of projects we seek to improve the quality of life particularly of poor communities. Examples include:

- Construction and road maintenance projects.
- Working for Water projects involving removal of alien vegetation – which is a threat to water tables.
- Home Community Based Care projects in which caregivers are trained to look after sick patients in their homes.
- The Social Sector piloted the Community Safety Programme in four municipalities in 2012/2013. This project will be replicated in other provinces in the future.
- The Environment and Culture Sector has piloted the cemetery maintenance programme in rural municipalities.

Let me give a concrete example: Ms Happiness Notwane from North West province joined an EPWP project in 2010 to clean pavements and eradicate alien plants. She had this to say:

“Raising a child alone is not easy. The stipend from EPWP made sure I could take care of my child and I also managed to save money to buy a fridge.”

The EPWP programme is making a real difference to people’s lives. I was reminded of this earlier this week when, together with Deputy Minister Jeremy Cronin, I visited the Lentegour Police Station in Mitchell’s Plain – a state of the art project of Public Works. We were thronged by community members who impressed upon us the positive impact of EPWP for individuals and the community.

I am also pleased to announce that the problem of under-spending on the disbursement of the EPWP incentive grant – which amounted to R358 million in 2011/2012 - has been largely eliminated in financial year 2012/2013, as a result of revisions to the grant model.

None of this would have been possible without the active partnership, coordination and participation of municipalities, provinces and non-profit NGOs, Community Based and Faith Based Organisations.

As we move into Phase III of EPWP, we have to ensure that all these stakeholders are on board, that they are supported where necessary – and that, collectively, we further upscale EPWP programmes. Amongst others we need to undertake the following:

- to see how we can replicate the successful Zibambele model – employing local communities for road maintenance in KZN – in other spheres such as schools maintenance;
- to investigate an expanded role for EPWP in relation to the roll out of the SIPs; and
- to ensure that collectively as government departments and SOEs we all utilise EPWP and labour intensive methodology to maximise job creation.

4. Capital Projects

In the course of 2012/2013 some 214 projects were completed. These included:

- For the SANDF:

- Upgrade of Boston Base Air Force Base
- Phase 2 runway upgrade at Waterkloof Air Force Base
- For the Department of Justice:
 - New magistrates court buildings in Katlehong
 - Renovations to Bloemfontein Magistrates Court
 - Refurbishment of Gelvandale Magistrates Court (Port Elizabeth)
- For Correctional Services:
 - Maintenance at Glencoe and Kroonstad prisons
 - Upgrading of the power supply at Goedemoeg Prison
 - Repairs at Tulbagh Prison
- For SAPS:
 - Renovation of buildings at Port St Johns, and
 - Upgrade and new accommodation for Clocolan Police Station.

Capital projects created some 18,815 jobs during 2012/2013. The target for 2013/2014 is approximately 40,000 jobs – based on current and planned projects.

Currently 518 projects are in the construction phase, with 300 projected to be completed by end of March 2014. High profile projects to be completed this year include: 7 military projects, the Tzaneen prison, the Matola Raid Monument in Mozambique, the Skilpadhek Port of Entry; upgrading of 38 Church Street (National Treasury); and Golela Port of Entry Residential Complex.

Diagnostics undertaken as part of the turnaround process have revealed major capacity deficiencies within the professional services of the Department which,

if not corrected, impact negatively on our ability to deliver on the Department's mandate, also resulting in under-spending on capital projects.

The following mitigating measures have been adopted:

- The Department has secured a budget appropriation of R66 million to fill 88 out of 219 vacant and unfunded core professional positions.
- A joint professional team consisting of Architects, Engineers, and Quantity Surveyors has been established in April 2013 to provide professional and technical support to smaller regional offices which lacked capacity (Mthatha, Nelspruit, Polokwane, Mmabatho, and Kimberly).
- The Department is rearranging itself around Client Portfolio Structures with major clients afforded full-scale professional resources to manage the life cycle of infrastructure. Joint Teams of professionals have been appointed for key departments who constitute the highest proportion of infrastructure budget of the Public Works Capital Building Programme.
- We are currently reviewing training programmes within the Department for young professionals, technicians, and artisans – as part of our vision to rebuild state capacity in the complete value chain of the Built Environment.
- The Department has mapped out the roll-out program to resuscitate maintenance and minor works workshops with priority areas being Western Cape and Gauteng, to be operational in financial year 2014/2015.
- The Department will provide mentorship and training for 165 emerging contractors in grades 1 to 4 during the current year.

The Department confirms the importance of improving social infrastructure in rural villages. Working through EPWP, with the Eastern Cape Provincial Department of Public Works and Roads, and the Department of Defence, we

are rolling out low cost bridges initially in Eastern Cape, before extending the programme to other provinces. These bridges, as well as providing safe river crossing during rainy seasons – especially for school children – also improve access and social and economic mobility for entire communities.

5. Asset Investment Management

The Department's Long Term Infrastructure Plan comprises three key elements:

- First, new buildings, replacements, upgrades and additions – to ensure service delivery to clients and the public from appropriate buildings;
- Second, maintenance and repairs – to safeguard the assets we have.
- Third, rehabilitation, renovations and refurbishments. We are committed to the conservation of state buildings – some of which are heritage buildings. This is central to the Inner City Regeneration strategy, as well as our strategic goal of shifting the larger percentage of government accommodation away from leases to occupation of our own buildings.

Concrete achievements and plans include the following:

- Eleven buildings were rehabilitated in 2012/2013, with a further 15 earmarked for the current year in order to accommodate user departments.
- As part of the Accessibility Programme, out of the 100 state buildings prioritised for last year, 42 buildings were completed and made more accessible for people with disabilities, with a further 146 buildings prioritised for this current year.

- Two properties measuring 433 hectares earmarked for sustainable human settlements were approved for release in 2012/2013. A further 5 properties have been identified for release in the current year as suitable for human settlement.
- In terms of Inner City Regeneration, targets for 2013 include: the completion of Precinct Development Plans for West Capital and Paul Kruger Street – as part of the Tshwane Inner City Project and Master Plan – and identification of four sites within the Paul Kruger Street Precinct for head office accommodations for national departments of government.

The Department is currently establishing a Green Building Programme Project Management Office. In implementing the Green Building Programme a number of pilot projects in water efficiency, waste management, energy efficiency and eco-labelling of construction materials are being rolled out. Key amongst these is the current base-line study on energy efficiency in public buildings. The pilot will target 1,000 buildings and contribute to the creation of green jobs and training energy scouts.

6. Prestige

The Prestige programme covers the management of national government offices and the accommodation of the Presidency, cabinet members, MPs and senior judges – as well as the organising of national events. Prestige is a fraction of the mandate of Public Works, but accounts for much of the negative publicity which the Department has attracted.

Given this profile, we have taken firm control of Prestige by centralising it, implementing a new structure, and creating a direct reporting line to the

Director-General. This has already been accomplished, and has already resulted in the cancellation of a number of high-priced projects. Meanwhile, underperformance by service providers, the pricing of renovations and other irregularities are being investigated. Culprits will be held to account.

Let me add: all Prestige projects are now undergoing investigation. The process is complete in regard to Pretoria. We have now extended the investigation to Cape Town where R100 million was spent on renovating 11 ministerial houses.

Similarly many of the problems surrounding the security upgrade at Nkandla are rooted in the failure of supply chain management processes, poor management and lack of accountability. As a Department we completed our preliminary internal investigation at the beginning of the year. We have referred our findings to the SIU for further investigation. We are also cooperating with the Public Protector's investigation. Parliament is planning to discuss our report, and the Auditor-General has undertaken to audit Prestige projects.

I can assure honourable members, no stone is being left unturned. I have given an undertaking, that as a Department, we will act against any official where evidence of wrong-doing exists.

We have revived the parliamentary village boards. Our priority is to now deal with unauthorised and illegal residents and to upgrade the security system by introducing an access card system and reviewing all aspects of security.

The Department has now started the process of clearing the backlog of services outstanding. In tandem with the Supply Chain intervention, we are streamlining procurement processes to ensure enhanced service levels and the application of appropriate norms and standards. In this respect policy proposals on norms and standards will be presented to the Executive for a decision by June 30th. These measures will be underpinned by the deployment of additional resources in both Cape Town and Pretoria. The new systems will be fully operational within 6 months.

I also need to mention that we have completed an audit of heritage buildings and drawn up a detailed inventory of moveable assets with photos and valuation certificates. This greatly assists in safeguarding these important heritage items. It also provides a baseline for decision making on the future care of heritage sites. In this respect I need to point out that – regardless of other problems - maintenance of heritage buildings is an expensive business.

7. Policy: Transforming the Built Environment

The Department of Public Works remains responsible for the regulation and transformation of the construction and property sectors. Skewed property ownership patterns need to be addressed, and the construction industry has to create an environment where emerging contractors graduate into sustainable businesses.

The following processes were finalised in the last year:

- The Construction Sector Charter Council was registered as a section 21 Company, and the necessary structures and procedures established.
- A training manual has been developed, and training will take place this year for the public sector on compliance with Construction Sector Charter Codes.
- The National Contractor Development Programme (NCDP) – driven by the Construction Industry Development Board (CIDB) – was launched in December 2012, and a National Contractor Development Forum comprising DPW and other national infrastructure development departments has been established to co-ordinate contractor development. The NCDP is also being rolled out to municipalities in partnership with COGTA and SALGA.
- The Contractor Incubator Programme (CIP) contributing to the development of emerging contractors between grades two and six is to be implemented during the current year.

On the legislative front, this year the Department will be tabling in Parliament the Expropriation Bill, as well as a bill to establish Agrément South Africa as a public entity. Deputy Minister Jeremy Cronin is driving these processes and will provide further details.

8. The Department's Public Entities

I need to mention the important work done by the Entities that report to the Minister of Public Works:

- ***Agrément South Africa*** - is a world class technical assessment agency whose primary role is the assessment and certification of non-standard construction products in South Africa. An example of where the Department of Public Works has utilised Agrément certificated products is

in the construction of new schools in the Eastern Cape and North West provinces. ['Agrément' – is a French word meaning 'agreement'.]

- **The Construction Industry Development Board (CIDB)** - was established to mitigate risks in the public sector construction procurement environment; to provide leadership to the construction industry and to stimulate sustainable growth. The Board's outputs include: developing standards for government tenders; and maintaining a national Register of Projects, as well as the contractor registration and grading system which is both a risk management tool for clients as well as a development tool for emerging contractors. The CIDB can also de-register contractors for non-performance and for breaches of the CIDB Code of Conduct.

CIDB is currently exploring a transparency and integrity system based on the internationally recognised Construction Sector Transparency Initiative (CoST).

CIDB also promotes skills development in the built environment through its Employment Skills Development Agency which will create 2,800 learning opportunities per year.

- **The Council for the Built Environment (CBE)** - advises the minister, whilst enhancing public protection by ensuring that only registered and competent professionals are allowed to practice.

It remains a major concern that only a quarter of registered professionals in the built environment are black. Last year the CBE established a candidacy

programme to help remove bottlenecks and assist young black built environment graduates to attain professional registration.

Meanwhile, the CBE bursary scheme produced its first batch of 8 graduates last year – one of whom – Ms Sandra Christine Serumaga-Zake – is in the audience today. She will participate in the CBE’s candidacy and workplace training programme.

Key outputs for CBE for the upcoming year include:

- Contributing to the skills plan for the infrastructure roll out programme;
 - Initiatives to contribute to the further production of built environment professionals;
 - Environmental sustainability in the built environment, and
 - Research into labour intensive construction, and
 - Health and safety in construction.
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- ***The Independent Development Trust (IDT)*** - supports the DPW to fulfil its mandate to deliver social infrastructure – as well as providing project management services to other national and provincial departments. IDT supports the EPWP especially in relation to its management information system and the Non-state Sector programme. As part of Strategic Infrastructure Project (SIP) 13, IDT has been appointed as one of the implementing agencies for the national Schools Beautification programme.
- IDT has championed women contractors in the construction sector. 30% of projects in 2012/2013 – with a value of R1.7 billion – were awarded to

women contractors. During the same year, 72% of the 75 contractors enrolled by IDT in its Contractor Development Programme were women.

DPW is currently working with IDT to develop a new business case to determine the organisation's mandate, funding model and institutional form – to ensure the long-term sustainability of the organisation.

As the Department sharpens its vision for the future – as part of the turnaround – it will be essential to engage closely with the entities to develop synergies and coherence.

9. The Turnaround Strategy: Rebuilding Public Works

The Department's past performance has been characterised by corruption and mismanagement, evidenced by eight years of qualified audits, and disclaimers in the past two financial years. The root causes of this deteriorating situation can be attributed to a lack of controls in Supply Chain Management practices, poor lease management, lack of accountability of our Regional Offices, lack of an appropriate accounting platform for the Property Management Trading Entity as well as the non-existence of a reliable Immovable Asset Register.

The issues and challenges facing the DPW are not new. They have been well-publicised and several prior attempts have been made over the last ten years to remedy the obvious defects. Despite some good work, little traction was gained in a large organisation, where all too often there is misalignment between the mandate and the structure of the organisation.

We are currently addressing the challenge of organisational structure with the assistance of the Department of Public Service and Administration, which is undertaking an Organisational Functional Analysis of the Department.

Early last year the Department embarked on a turnaround project that aims, over time, to return the Department to a state of full functionality. We have now put in place the building blocks for turnaround:

- We have the funding from National Treasury for the turnaround;
- The core of the Turnaround Team - now renamed the Business Improvement Unit - is in place under the office of the DG so that we build capacity in the Department – not the Ministry - to address stabilisation and for the long haul of transformation. So if the Minister is recalled tomorrow it will not derail the whole turnaround.
- The planning processes are well-advanced – with annual, 3-year and 7-year plans in place – developed in consultation with National Treasury, and fully consulted within the Department. Increasingly we talk less about ‘turnaround’, and use the language of ‘Rebuilding Public Works’.
- We have also – crucially – stabilised the leadership of the Department. Remember, when we started out 18 months ago, we said that much of DPW’s problems could be traced to a long period of unstable and constantly changing leadership. We also said that any turnaround strategy would need to be led from the top. I believe we have now stabilised leadership with the appointment of the new DG and CFO, and other changes at leadership level.

While the turnaround project that we designed consists of 23 discrete projects, our key focus has been on taking control of five key areas:

1. Developing a complete and credible register of state immovable assets.
2. Conducting a comprehensive audit of leases and the establishment of a Lease Management Framework.
3. Ensuring progressively improving audit outcomes for the DPW with particular attention to processes, systems and controls and better supply chain management.
4. Actively reducing fraud and corruption in the DPW, and
5. Operationalising the Property Management Trading Entity (PMTE).

I can report clear progress on all these projects.

- ***Combatting fraud and corruption***

When I stood before this House a year ago, it was in the midst of major scandals around fraudulent leases. Since then we have worked closely with the SIU (Special Investigations Unit) to investigate a number of irregular leases and projects – some 40 investigations in all, of which 23 are completed. This has resulted in successful disciplinary actions, the suspension of six officials, and the dismissal of three - including one DDG. We have instituted court actions to recover monies wrongly paid by the Department. We are also awaiting reports from disciplinary hearings involving one DDG and one Chief Director.

I need to add, that the SIU has completed investigations into Prestige in Pretoria, relating to renovations of ministerial houses. They have recommended that we discipline officials involved – which we have started to implement.

SIU investigations, together with recent findings of the Competition Commission, tell the same story: over-pricing and collusion between some officials and sections of the construction industry – a timely reminder that it takes two to tango; that corruption and greed in the private and public sectors are mutually reinforcing each other. In the light of this, and mindful of the limitations of the SIU due to multiple commitments, we have started to enhance investigating capacity within the Department:

- Short-term, as part of the funding for the Turnaround, Internal Audit was empowered to commission forensic investigations. Some 19 investigations have been completed.
- We are also establishing an internal Compliance and Enforcement Unit – advised by SARS – as part of a separate Risk Management Branch.
- Looking forward, we are establishing a separate Supply Chain Management (SCM) Branch. I am mindful that the Auditor-General has identified SCM as ‘a major risk area’. In this regard we are working closely with National Treasury to review and strengthen SCM processes.

Our broad approach can be characterised as follows:

- We will investigate and prosecute cases of fraud and corruption, but

- It is equally important to put in place robust systems – and here I am quoting from our SARS colleagues – with the intent: *“to make it easy for weak people to do the right thing, and difficult for bad people to do the wrong thing.”*

We also trust that the Competition Commission will work with the Department and its relevant entities in developing a longer-term strategy to combat collusion in the construction sector.

- ***The Immovable Assets Register***

The state land reconciliation with Deeds Office records has been substantially completed and the asset register updated. The results currently reflect the following – and indicate the magnitude of the task that we have undertaken:

Custodian	Number of land parcels
National DPW	28 841
Department of Rural Development & Land Reform	25 435
9 Provincial Departments of Public Works	50 606
9 Provincial Departments of Human Settlements	70 176
Work in progress, still to be allocated	1 174
Other custodians being confirmed	3 341
Total according to original Deeds download	179 573

These figures will form the basis of a physical verification process due to commence in July 2013.

We have commenced work in conjunction with the Chief Surveyor-General in addressing the completeness and accuracy of surveyed-not-registered and other unregistered state land.

We have established a process of engagement with the above state land custodians on an on-going basis to update registers and keep track of the balance of registered land parcels. This has never been attempted before and is proving to be more time-consuming than expected.

We have targeted the completion of the Immovable Asset Register in line with the revised requirements of the PMTE established with effect from 1 April 2013. This requires us to substantially complete the Immoveable Assets Register by 31 March 2015 with final adjustments effected by 31 March 2016.

National DPW still has in the region of 24,000 land parcels to be vested. These are planned for completion by March 2016.

We are confident that we are on-track for the creation of an asset register that will – for the first time ever - accurately reflect the state’s assets.

This is a game-changer, colleagues. With a sustainable register of state immoveable assets in place, we will have at our disposal the tools to leverage this massive property portfolio for economic development. This will also assist us to drive the transformation of the property sector in South Africa.

- ***Audit of Leases***

One of the key functions of the Department is to provide office accommodation to National Departments. The Department presently manages a portfolio of 2,788 leased properties across the Republic. In his 2012 Budget

speech, the Minister of Finance announced Treasury's support for a national audit of leases by DPW.

Our focus has been to review leasing business processes, policies and strategy while concurrently addressing a significant lease backlog.

The lease backlog is being progressively addressed by a newly-established Bid Adjudication Committee for Leases.

To date, 100% of the 2,788 leases have been reviewed. Of these, 1,316 required attention, revision or renewal. These we regard as backlog leases. Of the backlog leases, recommendations have already been made in respect of 365 leases. These included leases for Pretoria, Nelspruit and Polokwane. Recommendations for the remaining 951 leases will be in place by the end of June, 2013.

Challenges have been experienced in sourcing information and documentation for the Lease Review which has impacted our ability to conduct a physical verification of leased accommodation. At this stage only 42% of floor plans and tenant contact details are in place. In other words basic information to accompany leases was either not collected, or lost. As a result, the project is approximately one month behind schedule.

- ***Improving audit outcomes***

The Clean Audit project was initiated in December 2012 and includes a consortium of service providers to assist in its roll-out. 165 specialists and interns have been deployed across the Department's Head Office and 11 regional offices. I am pleased to be able to announce that the Department has

appointed 64 unemployed commerce graduates as part of this initiative. Indeed this exercise has gone so well that the Department is requesting that we employ a further 100 graduates.

The team is progressively clearing the myriad negative audit findings in the areas of Finance and Supply Chain. Skills development of Finance and PMTE staff is a secondary, but vitally important, output of the project. This process is well under way.

A key area of focus is the reduction of late payments and compliance with the President's injunction to pay suppliers within 30 days. For the first time all invoices are now logged in a central registry to make possible the tracking of payments. We have also approved the establishment of a Help Desk to assist suppliers to comply with payment requirements. As part of this project, the DG and I are visiting the regions to meet with service providers, and to work with officials to address complaints.

The verification of expenditure – and the highlighting of irregular expenditure – is also a key area of focus of the Clean Audit Project. This involves the inspection of every transaction in terms of compliance with supply chain management policy. Given over 1,1-million transactions a year, this is a huge task. I am pleased to confirm that all transactions for the Department and the PMTE will be fully tested for the 2013/2014 financial year in order to eliminate irregular expenditure going forward.

Let me add, one of the crucial strategies for improving audit outcomes and dealing with irregular expenditure is to ensure individual accountability and ownership of problems. To this end DPSA has assisted us in reviewing performance agreements of management to include ownership of audit issues.

In the same vein, the DG has now instituted bi-weekly 'Accountability EXCOs' exactly to monitor and enforce compliance in this regard.

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

Honourable members will be aware of the background to this issue. In 2006 Treasury approved the establishment of the Property Management Trading Entity within DPW with the injunction that a business case be submitted within two years. The failure to finalise these processes contributed significantly to both DPW and PMTE receiving negative audit opinions in subsequent years.

I am pleased to confirm that we have now formalised the establishment of the Entity. With effect from 1 April 2013, the DG has approved interim measures to ring-fence all relevant asset and property management functions in the Department and to clearly separate the activities of PMTE and DPW main account.

The PMTE has, ahead of schedule, adopted GRAP (Generally Recognised Accounting Procedures) as its accounting system and the first formal training interventions have been completed.

A detailed business case is under development and will be submitted to Cabinet for approval in August, 2013. This relates to the final structure of the PMTE.

I wish to assure this House that the turnaround is proceeding in full consultation with organised labour. I have also given an undertaking that no retrenchments are envisaged. The parties have agreed to develop a National Framework Agreement to guide the change process.

10. Concluding remarks

I would like to conclude by thanking the following people.

- The President for entrusting me with the stewardship of the Public Works portfolio
- The Auditor-General, Public Protector and members of the parliamentary committees for their constructive criticism
- Members of the SIU for arming us in the fight against corruption
- Treasury – and TAU – for the assistance and support in developing and implementing a turnaround strategy
- The Department of Public Service and Administration for assisting us to address challenges with HR and the structure of DPW.
- The Director General and senior management of the Department – as well as the previous Acting DG - who have kept the ship afloat, even as we try to turn it around.
- The entities of Public Works who have contributed their personnel and their knowledge to assist in the turnaround; and
- I particularly want to thank all those officials of the Department of Public Works who are actively assisting in the process of rebuilding. My message to them – and to honourable members - is this:
 - We have stabilised the Department;
 - We are making real progress in tackling the immediate – and systemic - challenges;
 - We have put in place the building blocks – and we have a plan – to rebuild Public Works;
 - Together we can make Public Works work.

I thank you.