

DEPARTMENT OF PUBLIC WORKS

# ANNUAL REPORT

2015/2016



public works

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

## **2015/2016 ANNUAL REPORT**

Mr TW Nxesi (MP)  
Public Works Minister

I have the honour of submitting the Annual Report of the Department of Public Works for  
the period 1 April 2015 to 31 March 2016

Mr M Dlabantu  
Director-General  
31st of October 2016

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## LIST OF ABBREVIATIONS

FULL DESCRIPTION	ACRONYM
Accounting Standards Board	ASB
Adult Basic Education and Training	ABET
Annual Financial Statement	AFS
Agrément South Africa	ASA
Annual Performance Plan	APP
Assets under construction	AUC
Business Intelligence	BI
Built Environment Professionals	BEP
Border Control Operating Coordinating Committee	BCOCC
Asset Register Management	ARM
Basic Accounting System	BAS
Black Economic Empowerment	BEE
Broad-Based Black Economic Empowerment	BBBEE
Built Environment Professions	BEPs
Business Continuity Plan	BCP
Client Relationship Management	CRM
Community Based Organisations	CBOs
Construction Contact Centres	CCC's
Community Works Programme	CWP
Construction Industry Development Board	CIDB
Continued Professional Development	CPD
Contractor Incubator Programme	CIP
Council for Built Environment	CBE
Custodian Asset Management Plan	CAMP
Department of Cooperative Governance and Traditional Affairs	COGTA
Capital Works Implementation Programme	CWIP
Department of International Relations and Cooperation	DIRCO
Department of Public Works	DPW
Department of Water Affairs	DWA
Department of Public Works Intergovernmental Forum	DPWNIF
Department of Rural Development and Land Reform	DRDLP
Division of Revenue Act	DORA
Document Management System	DMS
Engineering Council of South Africa	ECSA
Early Childhood Development	ECD
Economic and Employment Cluster	EEC
Employee Development and Management System	EDMS
Estimates of National Expenditure	ENE
Employment Skills Development Agency	ESDA
Expanded Public Works Programme	EPWP
Executive Management Committee Meeting	EXCO
Full Time Equivalent	FTE
Facilities Management	FM
Financial Year	FY

FULL DESCRIPTION	ACRONYM
Generally Accepted Accounting Principles	GAAP
Generally Recognised Accounting Practice	GRAP
Geographical Information System	GIS
Government Immovable Asset Management Act	GIAMA
Head of Department	HOD
Home Community Based Care	HCBC
Human Resource Development	HRD
Immovable Asset Register	IAR
Independent Development Trust	IDT
Integrated Risk Management Framework	IRMF
Industrial Policy Action Plan	IPAP
Information Communication & Technology	ICT
Integrated Financial Management System	IFMS
Information Technology	IT
Infrastructure Delivery Improvement Programme	IDIP
Information Technology Acquisition	ITAC
Information Technology Procurement	ITP
Institute of Internal Auditors	IIA
Integrated Growth Plan	IGP
Key Account Management	KAM
Land Redistribution Agricultural Development	LRAD
Logistical Information System	LOGIS
Memorandum of Understanding	MOU's
Medium Term Budget Policy Statement	MTBPS
Medium Term Expenditure Framework	MTEF
Medium Term Strategic Framework	MTSF
Middle Management Services	MMS
Millennium Development Goals	MDGs
Municipal Infrastructure Grant	MIG
Management Information System	MIS
Non-Governmental Organisations	NGOs
Non-Profit Organizations	NPOs
National Contractor Development Programme	NCDP
National Economic Development And Labour Council	NEDLAC
National Infrastructure Maintenance Strategy	NIMS
National Youth Service	NYS
Occupational Specific Dispensation	OSD
Occupational Health and Safety Act	OHSA
Pan African Parliament	PAP
Performance Based Building	PBB
Public Finance Management Act	PFMA
Performance Management and Development System	PMDS
Planned Maintenance Implementation Programme	PMIP
Portfolio Performance and Monitoring	PPM
Property Charter Council	PCC

FULL DESCRIPTION	ACRONYM
Property Incubator Programme	PIP
Property Management Information System	PMIS
Property Management Trading Entity	PMTE
Property Performance Standards	PPS
Public Finance Management Act	PFMA
Parliamentary Villages	PV
Regulatory Impact Assessment	RIA
Recognition of Prior Learning	RPL
South African Local Government Association	SALGA
Supply Chain Management	SCM
Implement Service Delivery Improvement Programme	SDIP
Senior Management Services	SMS
Service Delivery Standards	SDS
Service Level Agreement	SLA
Software Asset Management	SAM
Strategic Plan	SP
Strategic Performance Management	SPM
State of the Nation Address	SONA
State Owned Entities	SOE's
Spatial Development Framework	SDF
User Asset Management Plan	UAMP
Union Building	UB
International Union of Architects	UIA
User Requirement Specification	URS
Virtual Private Network	VPN
Voice over internet protocol	VOIP
Web Based Reporting Systems	WBS
Workplace Skills Plan	WSP
Works Control System	WCS
State Owned Entities	SOEs
Strategic Performance Management	SPM
Strategic Plan	SP
Supply Chain Management	SCM
Union Building	UB
User Asset Management Plan	UAMP
International Union of Architects	UIA
User Requirement Specification	URS
Virtual Private Network	VPN
Web Based Reporting Systems	WBS
Workplace Skills Plan	WSP
Works Control System	WCS



# CHAPTER 1

## GENERAL INFORMATION



# 1.1 Foreword by the Minister

.....  
*Mr Thembelani W. Nxesi*

When I announced a Seven Year Turnaround Plan to Rebuild Public Works back in 2012, I said that it was to be based on two pillars: zero tolerance of corruption, and improving the way that we do business.

In relation to fighting corruption, some of the main measures taken include the establishment of a focused and specialized branch – Governance, Risk and Compliance – to strengthen our capacity to investigate fraud – including the recently re-launched Operation Bring Back to reclaim state properties which have been illegally sold or occupied.

But the task was much wider than this – we 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.

An important part of ensuring compliance, was addressed by our successful ‘Clean Audit Project’ to turnaround the previous negative findings of the Auditor-General: the DPW Main Vote has moved from multiple 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.

In relation to the second pillar of the Turnaround: ‘Improving the way we do business’, this meant operationalizing the Property Management Trading Entity to focus on the core business of Public Works: providing accommodation to government, and managing the property portfolio which falls under the Department.

Principally this entailed professionalizing the property management function of Public Works and ring-fencing this function within the PMTE. In fact, Cabinet had resolved on this matter as long ago as 2006 – but due to the absence of stable leadership it never got off the ground. With the assistance of National Treasury we presented an implementation plan to Cabinet in 2014 – which Cabinet accepted. This has now been implemented.

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 appropriate policies and business processes. This is where we are now.

The new structure has been signed off. The priorities of the ‘new’ Department of Public Works have been clarified: to co-ordinate the expanded public works programme (EPWP), to develop policy and regulate the built environment, and to provide oversight to the wider public works family as well as the entities falling under DPW, including the PMTE.

A key to operationalizing the PMTE – and the foundation upon which it is built – has been the finalization of the Immovable Asset Register. In 2015, for the first time, we were able to present a comprehensive Immovable Asset Register of all state properties falling under Public Works. In financial year 2015/16 we managed to ascribe deemed values to approximately 93 000 properties and 31 000 land parcels amounting to R112 billion. This will also now reflect on the country's balance sheet.

This is an achievement of historic significance. The multiple property registers – of uneven quality – inherited from the pre-1994 multi-cameral and homeland dispensation, have now been unified, verified, assessed and valued. Finalization of the Asset Register is a real game-changer. We now know what we have. And the PMTE has a Research Unit with the necessary capacity and skills to analyze the portfolio for optimal usage. This includes the following:

- Improving accommodation to clients (government departments) and to the public;
- Cutting costs – by making better use of state properties, and reducing reliance on leasing-in;
- Better maintenance of state properties – this also has implications for job creation, skills development, empowerment and cost containment;
- Securing state assets and disposing of unsafe buildings;
- 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).

We started our Turnaround by stabilizing the leadership of the Department with senior appointments of: DG, CFO and in Finance and SCM, and later a head and leadership of the PMTE. The objective was to embed capacity and skills in the Department under the Director-General – not to bloat the Ministry with experts. Ministers come and go, but the Department remains – and that is where we needed to rebuild capacity. Public Works is a highly 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 (with engineers, quantity surveyors etc) – as well as to strengthen the skills pipeline to enhance state capacity and to increase the flow of built environment professionals generally – for construction and the property sectors.

Looking forward, in my Updated Policy Statement of June 2016 – intended to kick-start the planning cycle for 2017/2018 – I tried to cut to the chase and to get senior management to ask themselves a few very basic questions, designed to address the strategic priorities we have set ourselves for the five years of this Administration:

- What can we do to create jobs and work opportunities? [We are on track to deliver the 6 million work opportunities that government has committed to by 2019.]
- What are we contributing to skills development and rebuilding the built environment profession and technical capacity of Public Works and the state? [The new Professional Services Branch, working with entities and professional associations will provide leadership in this regard.]
- What are we doing to transform the built environment and drive black economic empowerment? [The Policy Branch is working with the entities and stakeholders to craft a clear vision, policy and regulatory environment, whilst PMTE drives implementation.]
- What are we doing to achieve savings and contain costs – a critical task in the current economic and budgetary environment? [This is not the task of Finance and Corporate Services alone. It goes to the heart of core business and cost savings – particularly in Facilities Management and Property Management.]
- The follow-up question, directed towards PMTE must be: in the face of budget cuts, how can we generate revenue – and how soon?

My task here is to indicate the broad vision for the Department and the PMTE, and the direction and progress we have made towards achieving the priorities we set for ourselves in the Turnaround Plan and the Five Year Strategic Plan. I firmly believe that this Annual Report indicates clearly that we have stabilized the Department and laid a firm foundation to enhance efficiency and improve service delivery.



Mr. T.W Nxesi, MP  
Minister of Public Works



# 1.2 Statement by the Deputy Minister

.....  
*Mr J Cronin*

The seven year Turnaround Strategy for the Department of Public Works (DPW) was first inaugurated in the previous administration. It is now in its efficiency phase, as it continues to consolidate and clarify the strategic role of the Department of Public Works (DPW) and its related entities.

In the financial year under review, the Department has increasingly moved from a largely re-active mode in coping with many challenges to a strategically pro-active posture in the three core areas of its work – the professional management of its extensive property portfolio; the promotion and regulation of the built environment professions; and strategic co-ordination of South Africa’s globally innovative public employment programmes.

Cabinet’s decision to consolidate DPW’s formerly scattered property management tasks into a ring-fenced, stand-alone government component, the Property Management Trading Entity (PMTE), reporting directly to the Minister, is beginning to have a tangible impact. Formerly the many property management related responsibilities of DPW, from developing and maintaining the immovable asset register to daily facilities management, were scattered across different branches and programmes. DPW had a very poor understanding of the value of its portfolio, which, in terms of actual property held, is estimated to be some seven times larger than the next largest property portfolio entity in South Africa. Previously, we were unable to strategically leverage transformational outcomes out of this portfolio. The consolidation of the PMTE’s operating model as an efficient trading entity is now enabling us to professionalise and better coordinate our mandate with regards to property management.

A second key responsibility of DPW is the regulation of the built environment professions and the general development of relevant policy and legislation. The DPW has always understood that such regulation and development needs to be carried out in collaboration with the relevant professional bodies. Internationally, such regulation is a critical public sector responsibility. However, in South Africa, given our racially (and gendered) skewed legacy, regulation and policy-making for the built environment professions needs also to ensure that there is active transformation of the sector to ensure greater representivity, as well as small and medium-sized business development. This is not only a just and equitable objective but, given our skills shortages in critical areas, it is also an economic imperative.

In our regulatory and policy-making initiatives, DPW, works closely with our relevant entities – the Council for the Built Environment, the Construction Industry Development Board, and Agrément SA. In the last period additional areas of focus have been highlighted. This notably includes a growing emphasis on energy- and water-efficiency and a general greening approach to the built environment.

Since 2004 DPW has been the overall coordinating department for government’s multi-sectoral Expanded Public Works Programme (EPWP), which has been rolled out in five-year phases. In the first (2004- 2009) and second (2009-2014) phases over 5-million work opportunities were provided in the infrastructure, environment, and social

sectors. In the past several years, important public employment programmes were also developed in partnership with non-profit formations, including the Community Work Programme (CWP) in which the Department of Cooperative Governance is the lead department.

Over the past 13 years the programme has expanded enormously in response to the extraordinarily high levels of persistent unemployment in our country. In the course of this period there has been an increasing awareness that unemployment in South Africa is not just a cyclical matter. We are dealing with a systemic challenge which, as the National Development Plan (NDP) recognises, requires a sustained and expanding effort on the front of public employment programmes.

In its co-ordinating role, the DPW over this reporting period was instrumental in driving through a Cabinet decision to establish an Inter-Ministerial Committee on Public Employment Programmes, chaired by the Deputy President. This IMC seeks to achieve better integration between different sectoral EPWP programmes as well as improved linkages between these programmes and other initiatives, including co-op and small business development, and a variety of youth and adult training programmes.

Significant departmental restructuring is never an easy task. I believe that in the course of 2015/16 we have begun to see the early fruits of this task. The challenge is now, of course, to sustain the momentum.



Mr. J Cronin, MP  
Deputy Minister of Public Works



# 1.3 Report by the Accounting Officer

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*Mr. Mziwonke Dlabantu*

## 1.3.1 Overview

The Global economic growth projections were revised to 3.4% in 2016 and 3.6% in 2017. The South African real gross domestic product (GDP) at market prices increased by 1.3% in 2015, following an increase of 1.5% in 2014. While the projections reflect an upward trend, as also highlighted in the 2015-2020 Department's Strategic Plan and 2015/16 Annual Performance Plan, growth in emerging markets and developing economies declined for the fifth consecutive year. At the time of planning for the year under review, the Department's performance targeting was aligned with the upward economic trend initially predicted. Contrary to these expectations, the economy experienced a downward trend which was largely influenced by three key transitions namely (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. These transitions impacted heavily on emerging markets and South Africa was no exception.

The constrained economy had implications for the operations of the Department in the year under review. Weak economic conditions required the Department to find efficient ways to improve its operations and deliver on the required services. This called for a vigorous implementation of the second phase of the Turnaround - Efficiency Enhancement with a focus on systemic improvements, redesign processes, systems and structural reforms. The major economic indicators affecting the activities of the Department included the high unemployment rate, continuous inflation pressure and high interest rates (10.5% due to an increase in the Repo rate to 7%) which has a bearing on the cost of doing business as well as the cost of borrowing particularly for the emerging property sector. The negative economic trends affected the operations of the Department in the areas of real estate management (provision of accommodation given the inflationary outlook) and real estate rentals (given the increase in interest rates). The 50.1% government debt to GDP compared to 47.1% in 2014 on the other hand puts pressure on the fiscus in funding public services. This affected the financing of government's programmes such as capital infrastructure and transformational programmes particularly in construction, property and facilities as well as public employment programmes such as EPWP.

The macro mode of delivery on the mandate of the Department included an intensified focus on the regulation and transformation of the property and construction industries. This gave rise to the revision of sector codes and a study on cost drivers in the construction industry. The oversight and coordination responsibilities relating to the Public Works Sector and the coordination of the implementation of the EPWP across different spheres of Government culminated into the establishment of the Inter-Governmental Coordination function within the Department.

The following key areas received priority attention as the Department strived to improve efficiencies and effectiveness:

- Transversal Business Improvement (PMTE and the Department)
- Expanded Public Works Programme
- Expropriation Bill
- Verification of debts owed to Municipalities by government departments
- Construction Management
- Property Management

This led to the following significant and major projects in the Department:

The Department has made good progress on the review of the Expropriation Act, 1975. In this regard the amended Expropriation Bill was adopted by the Portfolio Committee on Public Works and subsequently adopted by the National Assembly. In order to achieve the objectives of government in creating work opportunities through the Public Employment Programmes in the year under review, the Inter-Ministerial Committee on Public Employment Programmes was established to provide strategic oversight over the Expanded Public Works Programme.

In further advancing the operationalisation of the PMTE, the Head of PMTE as well as additional key property management specialists were appointed. The budget related to the functions of the PMTE was formally transferred from the Main Vote to the PMTE during the year under review in order to operate and report distinctly in terms of its own functional structure.

Given these structural arrangements, the PMTE's initial focus has largely been on improving service delivery in the context of Government's priorities and save costs. Fundamental to its strategic thrust is to improve access to quality Government accommodation. The PMTE also strived towards optimal utilisation of its immovable assets to create a funding stream for maintenance and improvements to extend the life-cycle of the existing portfolio.

The turnaround strategy has already yielded positive outcomes on lease management. This can be directly attributed to the clean-up project which first targeted potential over payments to landlords to avoid possible prescription of these debts. The lease clean-up project is also bearing fruit insofar as current payments are concerned. The PMTE has tightened up payment controls to ensure that payments are only made in line with contracted lease agreements. The remaining small number of lease payments which still vary will be aligned as a matter of priority. In this regard the new ERP system which will be implemented in 2016/17 will be a key milestone to replace the historical system that allowed these variations. Enhanced controls in the new ERP platform will not allow for any deviation without special authorisation being obtained.

Significant strides have been achieved in property efficiency and sustainability across the National Government estate; finalisation of the Immoveable Asset Register; clarifying the BBBEE strategy and its application across PMTE's business; developing a holistic approach to water saving and treatment; energy conservation; and the strategic shift towards the development of precincts in rural towns and small harbours.

To date, numerous engagements have taken place with the private sector on the empowerment and transformation model, where the definition of BBBEE complies with the Property Sector Transformation Charter. This lays the basis for the development of a code of good practice for the property sector as envisioned in Section 9(1) of the BBBEE Act and establishes targets and qualitative undertakings in respect of each element of BBBEE. PMTE also managed the following initiatives during the 15/16 financial year:

- The development of a high level maintenance strategy that aims to improve the condition of the State's portfolio and meet the requirements of the User Departments and
- The establishment of dedicated strategic units within the PMTE e.g. Small Harbours and Small Town Development.

As part of the construction turnaround programme the following performance improvement programmes were implemented:

- Focused intervention – process to monitor the movement of projects incrementally from one stage to the next in the value chain and tracking of movements on a bi-weekly basis
- Performance enhancement – accountability forums whereby project managers, engineers and contractors give a project by project account on a monthly basis

The above mentioned has contributed to an improvement in the performance of the branch compared to the previous financial year. Increasing the number of jobs created in the delivery of infrastructure remains a challenge hence 1126 jobs out of a target of 15000 were created. We will continue to improve the process to collect and verification of data in this regard.

- Transversal Business Improvement (Department of Public Works And PMTE)

The year under review has seen few critical interventions that sought to enhance and strengthen the corporate services support to the core business of the Department and PMTE. The review of the organisational structure for the Department, the finalisation of the PMTE structure and the submission of both to DPSA for approval is a notable achievement. Both organisational structures sought to address critical capacity constraints by providing for new areas of work and strengthening the existing functional areas. The Departments structure seeks to enhance its capacity to:

- Consolidate the fight against fraud and corruption and also strengthen the investigative capacity of the Department.
- Capacitate the state with technical and professional infrastructure skills.
- Strengthen the Expanded Public Works Programme ability to drive public employment programme.
- Manage concurrent and intergovernmental obligations.

The finalisation of the PMTE structure made provision for essentially four key programmes namely; Real Estate Management for the leasing in and leasing out functions, Asset Registry, Construction Management and Facilities Management.

In continuing to bridge the quantitative and qualitative human capital gap that we face as the Department and PMTE we continued to implement the retired professionals programme. Thus providing the necessary mentorship and coaching capacity for the skills programmes attracting young professionals and building capacity of current employees. The retired professionals employed by the Department also fill the recruitment gap in scarce and critical technical professional skills required in various engineering fields. The Department also made an impact in the skills development area with programmes in the water treatment, artisan development and internship programme.

The Department enforced the decent work agenda with the introduction of a phased approach of insourcing for the security management services at the Head Office. The roll out of the insourcing strategy will culminate in the recruitment of security officers for selected Regional offices within the budgetary constraints.

ICT is at the core of our turnaround strategy and it is pleasing that the Department is now moving into the innovation phase after stabilising the environment. The national committee to monitor the institutionalisation of Infrastructure Delivery Management System and roll out of the functional generic structure continued its work during the year under review. All provinces were capacitated in implementing IDMS and this resulted in enhanced internal capacity within the Public Works family.

The Department has maintained the gains made during the stabilisation phase of the turnaround strategy within the finance and supply chain management (SCM) environments. The Main Vote again maintained its unqualified audit opinion in 2014/15. Similarly the PMTE also maintained its qualified audit opinion in 2014/15 with only two areas of qualification. It is also the declared intent of the department not only to maintain these improvements but to continuously better these outcomes as we progress through the efficiency enhancement stages of the transformation process.

The prevention of irregular expenditure continued to be an area of priority for the Department in the current financial year. Irregular expenditure – non-compliance with the applicable legislation on procurement in particular – undermined public confidence that the Department was striving towards. Preventative mechanisms to improve internal controls and specifically targeting possible irregular expenditure were therefore a key priority. The recent measures to reduce and prevent irregular expenditure that the Department has put in place (in particular in the area of supply chain management) are the catalyst for the reduced newly transacted irregular expenditure when compared to previous financial years.

It was reported in the previous financial years that more than R 35 billion of irregular expenditure was declared for the 2013/14 financial year which was the result of an extensive review of all SCM processes and payment batches dating back from 2009/10 to detect any possible irregular expenditure. This was an exhaustive and necessary exercise as it has given management the opportunity to better understand the types and causes of irregular expenditure normally incurred by the department.

The National Treasury has a standardised prescribed a process that must be followed once irregular expenditure has been identified and confirmed. Guided by this process initial investigations indicated that set conditions were met in particular as far as transactions before 2012/13 are concerned. As a result a proposal was made to the National Treasury to grant approval to write off the identified transactions relating to that period. These transactions excluded those being investigated by the various investigative bodies – both internal and external – for possible fraud, corruption and instances where the state had suffered losses.

After initial investigations were done, it was determined that most of the causes of these irregular transactions were due to entrenched systemic inefficiencies which prevailed at the time. Furthermore most of the officials involved in these transactions either acted in the best interest of the State or left the service of the Department. With due regard to the cost of such further intervention together with the relatively low possibility of recovery of any such amounts, it was therefore decided that the amount of R28 billion relating to transactions during this period should be disregarded for further investigations. This amount has therefore been disclosed in the latest financial statements as “not condoned and not recoverable” and is in line with the directive of National Treasury. This is regarded as a significant step in the right direction to ensure that the transactions identified as irregular expenditure by both the Department and the PMTE are appropriately dealt with in an accountable and value for money manner whilst maintaining the norms set by National Treasury’s prescribed framework.

The remaining balance for the Main Account and the PMTE will be taken through the normal investigation processes to ensure that the department continues on its upward trajectory to maintain a clean administration whilst also improving on its service delivery mandate. As previously indicated this investigation process is very labour intensive and dependent on highly skilled resources which needs to be sourced for a limited period to deal with this backlog. This is underway and it is planned that all investigations to be concluded within the next two financial years.

### 1.3.2 Significant Events and Major Projects

The Department is split into two entities. The first being the main vote that is focused mainly on policy and regulatory functions, intergovernmental coordination (concurrent mandate) and coordination of public employment programmes in meeting strategic and government priorities. The second entity is the Property Management Trading Entity (PMTE) that represents the core business of the entire Department. Some of the significant and major achievements of these entities are discussed below.

- Legislation

The Department is on track to conclude the review of the Expropriation Act, 1975 that will culminate in the promulgation of a new Expropriation Act that is in line with the spirit and provision of the Constitution. During the year under review, the Department actively participated in public hearings and intensive engagements on the Expropriation Bill with National Assembly’s Portfolio Committee on Public Works. An amended Expropriation Bill [B 4B-2015] was adopted by the Portfolio Committee on Public Works and subsequently adopted by the National Assembly in February 2016.

The amended Expropriation Bill was thereafter referred to the National Council of Provinces. In March 2016, the Expropriation Bill was introduced to the Select Committee on Economic and Business Development. The Committee subsequently submitted the Bill to Provincial Legislatures for consideration. At the request of the Provincial Legislatures, the Department made comprehensive presentations on the Expropriation Bill to the relevant Portfolio Committees in all the Legislatures.

During April 2016, the Department attended various public hearings on the Expropriation Bill throughout the country. In May 2016, on the strength of the mandates received from the Provincial Legislatures, the Select Committee on Economic and Business Development adopted the Expropriation Bill with only two amendments. The amended Expropriation Bill [B 4D-2015] was adopted by the National Council of Provinces in May 2016.

The amended Expropriation Bill was referred back to the National Assembly and in May 2016, the Portfolio Committee on Public Works adopted the amended Expropriation Bill. The amended Expropriation Bill [B 4D-2015] was subsequently passed by the National Assembly and will be submitted to the President for assent.

In addition, the Agrément South Africa (ASA) Bill was tabled at both the National Assembly and the National Council of Provinces (NCOP) establishing it as a schedule 3A public entity. With regards to the Independent Development Trust (IDT), the Department finalised the business case to establish the IDT as a schedule 3A public entity. On the Regulations on Prompt Payment and Adjudication for the Construction Industry, a draft was published for comment by the Minister of Public Works in Government Gazette 38822 of May 2015. In promoting black enterprise and supplier development and skills acquisition, the Property Sector Charter Council aligned its Sector Codes with the revised BBBEE Act 2013 (Act No 46 of 2013) and a property management empowerment policy which will serve as overarching framework for the Department's empowerment initiatives and programmes towards transformation of the Property Industry has been developed. The property management empowerment policy will incorporate the Sector Codes.

Further, the Department is undertaking a study on Cost drivers in the construction industry to determine the price of construction materials, labour, and other variables based on prices of 5 years ago to predict construction costs for the next 5 years. The Department has commenced with the review of the 1997 and 1999 White Papers which will culminate in a New Public Works White Paper.

- Phase 3 of the Expanded Public Works Programme

The Department has completed year two of Phase 3 (2014-2019) of the EPWP. In year one of Phase 3 EPWP exceeded its annual target of 1 045 520 by creating 1 103 983 or 106% work opportunities. In year two of Phase 3, the EPWP implemented an enhanced reporting system to ensure accurate and reliable reporting of work opportunities created by public bodies implementing EPWP. This saw a drop in the number of work opportunities reported on the reporting system. The new reporting system had improved validation rules for data captured on the system and required supporting documentation as stipulated in the Ministerial Determination 4: Expanded Public Works Programmes, Notice No. 347 issued by the Minister of Labour in terms of the Basic Conditions of Employment Act, 1997 as appeared in Gazette No. 9745 on 04 May 2012.

While the work opportunities reported for year two of Phase 3 suggests that the target of 1 127 186 work opportunities was not achieved as only 741 540 work opportunities were reported on the system, the Department is aware of work opportunities being created which are not reflected on the reporting system. The main reason for such a low figure is that public bodies have not geared themselves for the new reporting system which requires additional reporting fields and supporting documents as stipulated in the abovementioned Ministerial Determination 4: Expanded Public Works Programmes, May 2012. This has led to projects either not being reported or reported but remains on the EPWP Reporting system as invalid due to non-compliance to the new reporting requirements. In response to this, the Department continues to provide technical support to public bodies implementing EPWP and have provided additional capacity to enable the latter to be captured correctly and the data validated on the system.

The Public Employment Programme Inter-Ministerial Committee (PEP-IMC), launched in July 2016, chaired by the Deputy President have undertaken site visits to EPWP projects in Orange Farm (Gauteng Province) and Graskop (Mpumalanga Province) during the 2015/16 financial year. Following the site visits, the PEP-IMC have met twice to explore various models that will deepen the impact of EPWP projects for communities, poor and unemployed people. The IMC have also considered the challenges linked to the underreporting of EPWP and will be proposing remedial action for Cabinet's consideration in the 2016/17 financial year.

Notwithstanding the introduction of various measures in the past year to address the recurring audit challenges in EPWP, AGSA still discovered that public bodies implementing the EPWP were not complying with the EPWP Ministerial Determination on records keeping. It was further discovered that many public bodies implementing EPWP were not reporting such projects on the EPWP Reporting System. This led to the AG concluding that while the EPWP performance information is useful, it was not reliable when compared to the source information. The Department will continue to introduce additional measures to ensure compliance with the AGSA requirements by public bodies.

- **Prestige Portfolio**

The strategic objectives of the Prestige management programme are to develop policies that govern prestige services in line with the Ministerial Handbook and to improve the delivery of services to Prestige clients. The Department has made strides in developing policies to regulate prestige services in line with the Ministerial Handbook. In the context of the second phase of the turnaround- efficiency enhancement - the following policies have been developed and are now undergoing the process of consultations before formal approval.

- Norms and standards for provision of moveable assets
- Policy on the implementation of security measures in the private residences of the President, Deputy President, former President/s and former Deputy President/s
- Policy guideline on the implementation of security measures in the private resident of Judge Presidents.

To improve service delivery to Prestige clients the Department has completed a condition assessment of all Prestige properties in Cape Town and in Pretoria, including Parliament and the Unions Buildings. To further improve service delivery to Prestige clients the Department will implement term contracts for certain services. To improve the security aspect at the Parliamentary Villages, the Department has successfully implemented the security upgrade and access control on all three Parliamentary Villages Parks. In terms of prestige events, the Department provided world class standard moveable infrastructure for the following high level Presidential events.

- Hosting of the President of China, Zimbabwe and Netherlands
- Hosting of the Forum for China Africa Cooperation.
- Hosting of the Armani Africa Field II Training Exercise, and the
- Hosting of the AU Summit.

The Department has continued to provide quality service to the Presidency in a manner that reflects on the reputation of the country. In the ensuing year we will be looking at improving services in the context of cost containment announced by the Minister of Finance without compromising the standard of service.

- **Oversight and Concurrent Mandate Support**

The Department provided support, guidance and coordination to the public works sector in terms of planning and performance management processes. The planning process of the Provinces was done in June 2015 where Customised Performance Indicators (CPIs) in interrelated and inter-dependant programmes areas were developed. These areas were then monitored quarterly.

Further in strengthening support to the Provinces, performance reviews were conducted on individual provincial basis as well as Quarterly deliberations in the Planning, Monitoring and Evaluation Forum. Since the establishment of the CPIs in 2012 much progress has been achieved both in terms of understanding the sector in areas such as property and construction management, asset register, facilities management and job creation. The oversight

function was strengthened through engagements at different fora such as MinMec chaired by the Minister, GIAMA Implementation Technical Committee (GITC), CFO's forum, Asset Register Management and the IDMS.

The coordination approaches for public works sector as part of intergovernmental coordination received more attention. As a result, a diagnostic study was undertaken to understand how the department should improve in this area. The intergovernmental structures were convened as planned to deliberate on policy and strategic issues of the sector. The Department approved a policy framework for the oversight of the public works sector to guide proper coordination in this regard.

- **Municipal debt**

The Department is spearheading the project to verify Government debt owed to municipalities by Government departments both nationally and provincially to ensure settlement by sector departments. The project focuses on verifying debt reported in terms of Section 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). In terms of the debt reported as at 31 March 2015, municipalities were owed a total of R96 billion by households, business and Government. National and provincial government departments accounted for 5.4% (R5.2 billion) of the total debt. The bulk of the debt is owed to municipalities by the private sector and households.

In addressing this debt, the National Inter-governmental Task Team (NIGTT) on debt comprising the Office of the Presidency, Department of Public Works, Provincial Departments of Public Works, Department of Rural Development and Land Reform (DRDLR), Department of Cooperative Governance (DCoG), National Treasury (NT) and South African Local Government Association (SALGA) was established to coordinate and oversee the Government debt verification and settlement process.

By the end of the financial year, R3.5 billion of the reported R5.2 billion debt was verified for the entire sector. Of this R3.5 billion, an amount of R3 billion was confirmed and signed off by relevant municipalities as owed debt with supporting documentation. The Department's obligation with regard to the above, is a net amount of R572 million. During the financial year arrear and current obligations were settled leaving unsettled arrears of R177 million.

- **The Fight Against Fraud and Corruption**

The Department investigated a total number of 336 allegations reported for the period 2009/10 financial year to date, 284 of which have been either finalized or referred to the SAPS, SIU or other entities for further investigation. These included, among other irregularities, ninety six (96) allegations of fraud and corruption; one hundred and thirteen (113) tender irregularities, thirteen (13) irregular disposals/use of state properties and nine (9) irregular delays in the payments of service providers. These investigations resulted in 172 disciplinary actions (of which 43 were instituted in the current year) and 35 criminal referrals to SAPS (of which 17 were referred in the current year).

Investigations are also being conducted by the Special Investigation Unit (SIU) and have been initiated in terms of four (4) Proclamations issued by the President. The focus areas of the four Proclamations include the Capital Projects delivered by the department; property leased in from the private sector, and renovations to Prestige facilities. The outcomes of these investigations will be reported as they become available.

- **Fraud Risk Management**

The Department has emphasized the need to introduce internal controls and fraud prevention within the context of a holistic anti-corruption strategy. This will ensure that malpractice is prevented before it occurs. In this regard the department has conducted a comprehensive Fraud Risk Assessment during the year under review, and decentralized the responsibility for risk mitigation to management at the line functional level. The department has also operationalized an Ethics Committee during the year as a subcommittee of EXCO to oversee the implementation of the public service ethics framework. The Department has accordingly developed a fraud risk index to measure the level of fraud risk and has committed itself to reducing the level of fraud and corruption to minimal levels over the medium term, as measured through a process of fraud risk assessment.

- Operation Bring-Back

The Department successfully led the re-launch of an OBB program within the Public Works sector to specifically deal with identifying, investigating and recovering possible cases where state properties have been illegally occupied or disposed of. A population of several thousand properties are currently under preliminary investigation, having been red flagged for possible irregularities mainly from anomalies identified by computer-based interrogation of deeds records, physical verification of asset registers and whistle-blower reports. These include amongst others possible illegal disposals; illegal occupation, deeds irregular ownership changes on the deeds record; and encroachments onto state property. While these numbers are high, they are likely to yield much smaller leads that warrant full investigation, following the preliminary investigation. The impact is however likely to be significant.

A total of 1287 properties owned by the Department, having been detected as irregularly occupied, are being reclaimed through various legal and internal processes. Investigations completed have also uncovered fifteen properties that were irregularly alienated from the Department. The recovery of these properties is underway through the relevant legal processes. Several allegations made to the Department of properties illegally transferred to private individuals have been referred to other state custodians for further investigation. Operation Bring-Back will continue for a further eighteen months beyond the end of the 2015/16 financial year when an assessment will be made the viability of its continuation.

- Governance Practices

The incremental improvement in the quality of governance practices in the department is reflected in its Management Performance Assessment Tool (MPAT) results for 2015. In this regard the Department has improved its ratings from an average of 25% scored in 2012 to a rating of 71% in 2015 and has established plans to further improve its performance in this regard over the five-year period covered by the Strategic Plan.

### **The Property Management Trading Entity**

The 2015/16 financial year saw the tabling of the Annual Performance Plans of the PMTE as a separate entity from the Main Vote. In this regard, a first performance report as contained in the combined annual report represents a critical milestone in the development of a performance management dispensation which will in future underpin the enhancement of efficiencies within the entity. Performance management in the entity is however at its infancy stage and the crafting of the targets and the setting up of systems to track and report on achievements still need to be developed and enhanced to support an efficient performance management process.

In the journey to build on the achievements and gains of the first phase of the Turnaround, the PMTE's focus remains the optimisation of the State's asset portfolio to ensure improved and effective, but also cost efficient service delivery.

To further enhance the PMTE's capability to set a central repository of extensive and reliable information with regard to the property industry, a research unit was established with a focus on inter alia,

- Research and analysis of economic and social, industry, market and internal trends
- The development and implementation of analytical tools, models and best practice policies
- The provision of business innovation intelligence and strategy for the trading entity.
- Participation/ involvement in the property and construction industries
- Provide advisory services to various stakeholders
- Portfolio and performance analysis

Furthermore, the PMTE is considering the establishment of a property research institute which will be a research hub where academics and practitioners join ingenuity for the advancement of the property and construction sectors. This will be done through rigorous academic and business research – considering both local and international practices. The aim is to refine the South African property sector into a world class, sophisticated sector - founded on advanced knowledge and skills. Specific focus will be placed on the role of the Public Sector in the South African market. This institute will feed into the PMTE's research unit – together these initiatives will provide insights which are bound to enhance the PMTE's business decision making.

In the period under review, some of the significant achievements of the PMTE include:

- Progress in clearing the lease backlog and further actions taken to prevent the accumulation of expired leases
- Substantial completion of a reliable and comprehensive GRAP compliant Immovable Asset Register
- The development of a high level maintenance strategy that aims to improve the condition of the immovable asset portfolio that meets the requirements of user departments and
- The establishment of dedicated functional units within the PMTE that targets the achievement of strategic priorities e.g. Small Harbours and Precinct Development in urban and rural areas.

During the year under review, the PMTE commenced with initiatives in pursuance of clarifying the BBBEE strategy and its application across PMTE's business, developing a holistic approach to water saving and treatment, energy conservation as well as the strategic shift towards the development of precincts in rural towns and small harbours.

- State of the Immovable Assets Portfolio

The PMTE substantially completed the IAR enhancement initiative. This initiative required that the State's property holdings be determined and confirmed given a number of custodians at national, provincial and local spheres of government. This was done in line with the functions assigned to the various spheres of government, the relevant entities in terms of the Constitution and a defined custodian framework. This entailed significant research into property holdings (in terms of the Immovable Assets Sector Specific Guide), followed by confirmation of ownership (various devolution processes as well as vesting), physical assessment of properties to confirm the information required in terms of GRAP and eventually the application of a deemed cost model to the entire portfolio.

The outcome of this initiative is depicted in the tables below:

Table 1.1 Total portfolio

	Land parcels	Buildings & Improvements	Assets Under Construction	TOTAL
Count	31 146	92 593	-	N/a
Extent (millions)	5.5 hectares	36.9 m <sup>2</sup>	-	N/a
Value	R48.9 B	R54.7 B	R8.7 B	R112.3 B

Table 1.2 Land Parcels by Zoning Type

Type	Count	Extent (hectares)	Value R mil
Agriculture	3 387	1.6 million	9 154
Education	5	1 550	4
Industrial	68	2 199	113
Residential	5 107	168 479	3 911
Specialised	22 579	3.7 million	35 763
<b>Total</b>			<b>48 945</b>

Table 1.3 Buildings & Improvements (excluding AUC)

Type	Count	Extent (in m <sup>2</sup> )	Value
Offices	6 621	4 million	R6.5 billion
Residential	36 259	9.5 million	R10.7 billion
Specialised facilities	49 714	23.4 million	R37.5 billion
<b>Total</b>	<b>92 593</b>	<b>36.9 million</b>	<b>R54.7 billion</b>

From the above analysis, it is evident that the portfolio of assets under the custodianship of the PMTE consists of a significant quantum of assets with the potential to significantly impact on the macro-economic, socio-political and physical landscape of the country. This is notwithstanding total land under the custodianship of the PMTE stated at 5.5 million hectares of the total country's geographic land area of 122.1 million hectares. This is equivalent to 4.5% of the total country's geographic land area.

Using the aforementioned in creative and innovative ways, significant value can be leveraged off these assets aimed at minimizing impact to the national fiscus as well as strengthening the national balance sheet.

During the rollout of the IAR enhancement initiative it was unavoidable to apply the transitional provisions of Directive 2, issued by the ASB, as this allowed the PMTE a transitional period of 3 years to measure the huge portfolio of assets. The 2015/16 financial year is therefore final reporting period in which transitional provisions will be applicable.

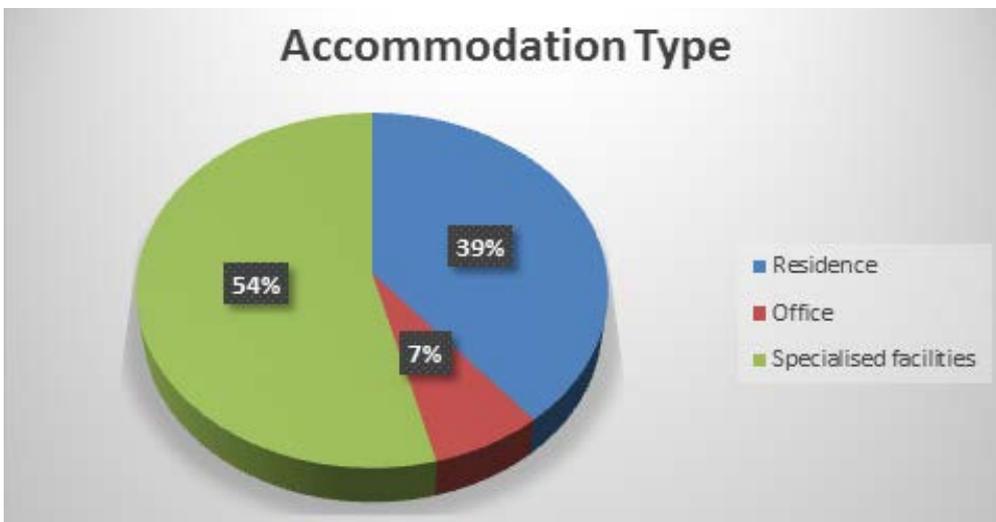
### Accommodation type

Buildings are used for a variety of purposes. The major categories are:

- Specialised facilities at 23 429 053 m2 of total space
- Residential at 9 447 721 m2
- Offices at 3 997 906 m2

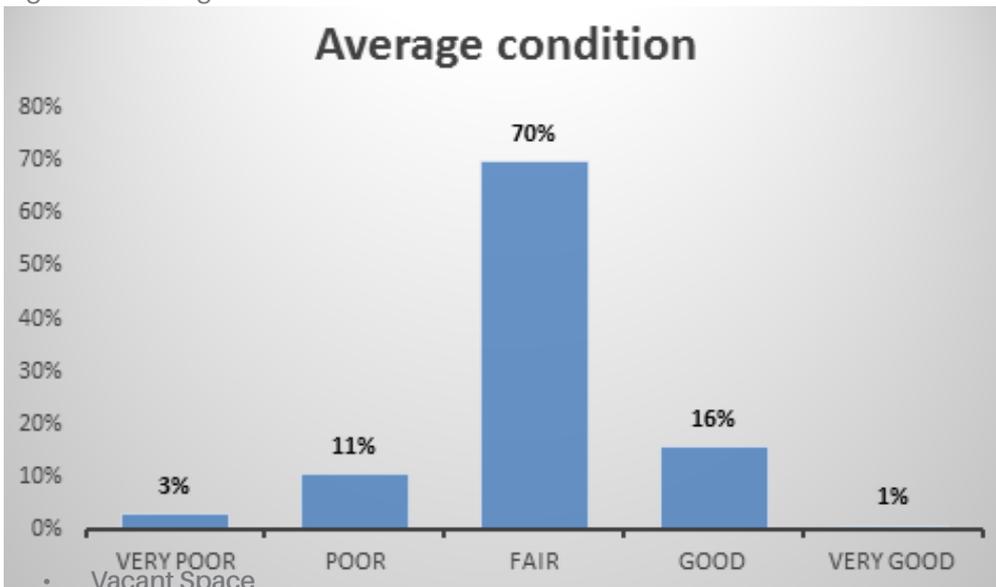
The chart below shows the buildings per accommodation type as a proportion of the total count of 92 593.

Figure 1.1 Accommodation type



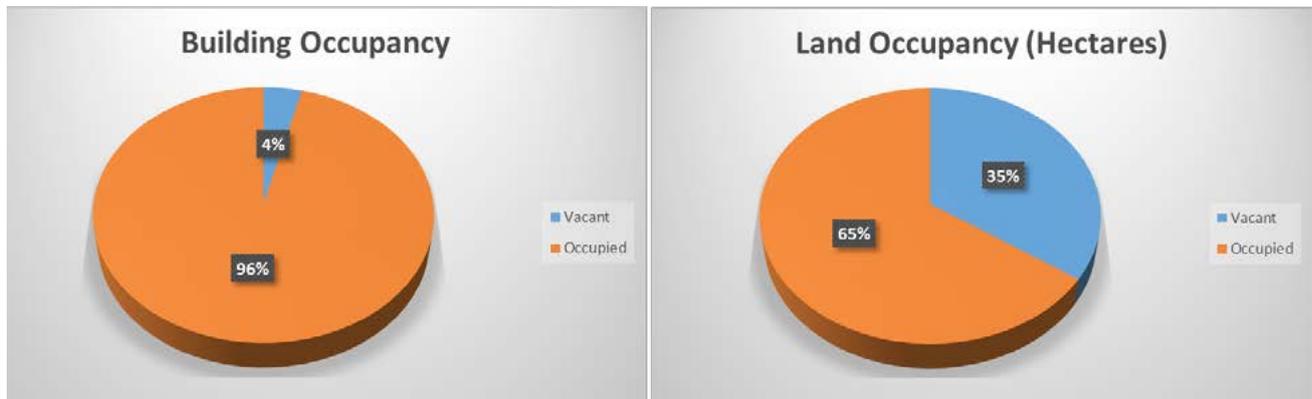
The conditions of the buildings vary across the portfolio. The chart below shows the distribution of the condition categories across the portfolio based on the number of properties.

Figure 1.2 Average condition



Vacant space is the amount of space ready for release for reuse by other government occupiers or for disposal. In terms of space utilisation, 96% (89 031 of 92 594) of the buildings are occupied and in use whereas 65% (3 569 004 of 5 543 016 hectares) of the land is utilised.

Figure 1.3 Building and Land occupancy



- Real Estate Management (Leases)

With the current constraints of low economic growth and unemployment in the country, all cost-effective and informed transactions contribute to greater efficiency, reducing waste, and improving the composition of spending. Government is the biggest lessee of office and other functional accommodation in the country and should, automatically, be a strong player in the field. To this extent, the PMTE has a pivotal role to play in reducing Government spending on- and increasing the efficiency of accommodation. As at 31 March 2016, the PMTE managed a total lease portfolio of 2 617. This included 83 expired leases compared to 1 176 expired leases reported in 2013. This has been made possible with the assistance of National Treasury’s 1st and 2nd dispensations for the renewal of expired leases. These dispensations created the platform for the PMTE to significantly reduce historical irregular expenditure, an opportunity to renegotiate new leases at favourable rates as well as a grace period for the conceptualisation of an appropriate procurement framework for leases. This framework will be implemented in the year that follows.

Lease management will continue to transform the way in which leases are procured. As part of the Supply Chain Management reform, fit-for-purpose procurement processes are being developed, reinforced by an automated Accommodation Management System. This will enable the PMTE to be more efficient in the procurement of leases and automate the otherwise protracted and cumbersome processes. The technology which is already in development, integrates and matches client needs with availability in respect to inter alia, suitability, and functionality and geographic location.

The research done to date includes an analysis and insights on the Tshwane leasehold portfolio. Pretoria CBD has a total lettable office space of 707 352 m2 of which government departments occupy 675 413m2 (95.5%). With government departments leasing such a significant proportion of privately owned office space available in Pretoria - it further supports the business case for the Inner City Regeneration (ICR) precinct development. The PMTE has accelerated the ICR programme by collaborating with the City of Tshwane to align government precinct development with the greater Tshwane spatial development plan. This has shown fruition in the financial year 2015/16 with the delivery of the Agrivaal building which is a 4-star rated green building; as well as the acquisition of the Telkom Towers complex. These all drive the long-term cost-saving objective of the PMTE.

- BBBEE and Woman Empowerment

The PMTE is in the process of revising its BBBEE strategy and its “narrow” application with respect to leasing-in and also expanding to the functional areas of letting-out, real estate management, construction and facilities management. . The entity plans to enhance opportunities for letting to the public and private sectors (with a view to generating income to secure and maintain the portfolio) as well as availing properties to emerging black and female entrepreneurs to market, operate, develop, maintain, and manage on our behalf.

To date, numerous engagements have taken place with the private sector on the empowerment and transformation model, where the definition of BBBEE complies with the Property Sector Transformation Charter. This lays the basis for the development of a code of good practice for the property sector as envisioned in Section 9(1) of the BBBEE Act and establishes targets and qualitative undertakings in respect of each element of BBBEE.

With the progress made in completing the IAR, the PMTE has verified and confirmed the occupancy rate of State-owned properties and identified: 810 land parcels; 131 residential; and 17 office type properties to be let out for income generation. For the 2016/17 financial year, 30% of these properties will be targeted and ring-fenced to be released to black- and women owned companies.

- **PMTE Systems**

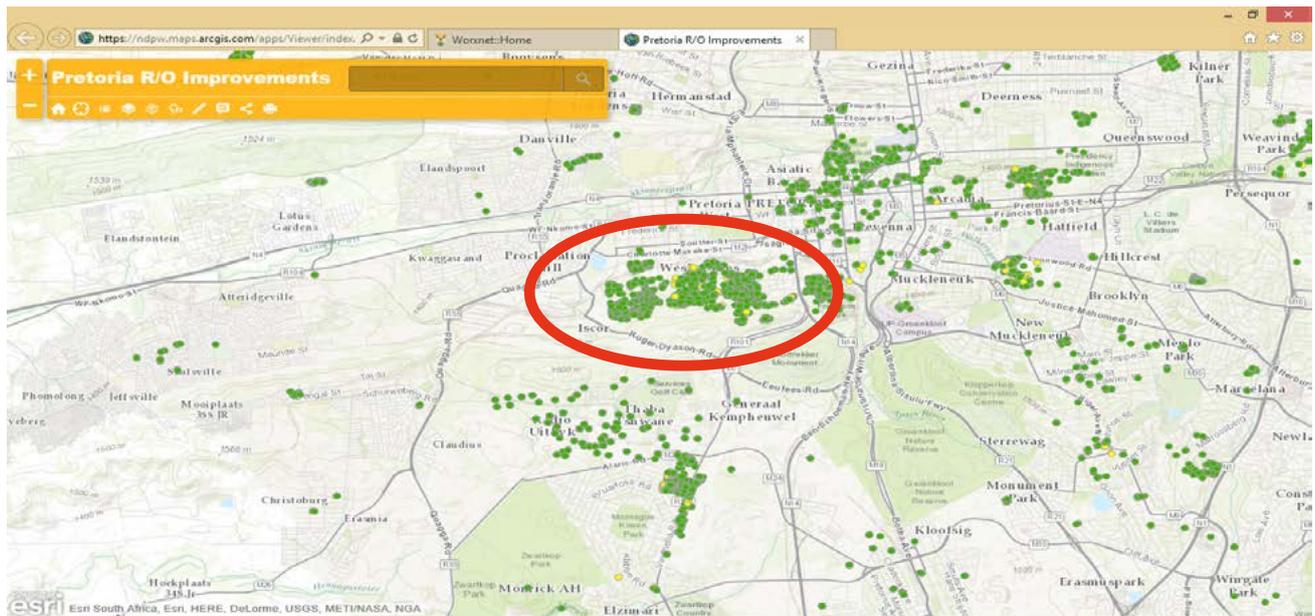
With a history of disparate systems within the Department, the PMTE has successfully embarked on a journey of driving an agenda of seamless integrated technology platforms that brings together various key areas of the business. Through the Archibus/Sage implementation programme, the PMTE will see the migration of the verified IAR to the relevant module from where it will be operationalized in the next financial year. The Archibus property management system modular design allows for the integration of multiple facets of the PMTE business including leases, facilities management, construction project management, capital budgeting, call logging (via the Worx4U call centre) and GIS logging. The Archibus system integrates with the Sage finance system allowing for full financial control of all aspects relating to the PMTE's property management business.

Through a proactively designed programme management approach to the Archibus/Sage implementation that involves all key stakeholders of the PMTE, a large number of manual processes are being automated. Preparation for the automation of these processes began in the 2015/16 financial year through the mapping of relevant processes. The automation of processes will enhance internal controls through full audit trails, superior logical access controls and streamlining inefficient manual processes. This approach will positively contribute to the Minister's drive for enhanced efficiencies within the PMTE coupled with higher levels of effectiveness and service levels.

The incorporation of the ESRI GIS functionality into the Archibus system implementation provides a graphical view of land parcels and property including GPS co-ordinates, crucial information on the GIS locations and other information that will assist in management information of the immovable assets. This functionality will further assist client departments with planning of their own needs through portal access whereby client departments will be able to visually view land parcels and properties that affect their portfolios.

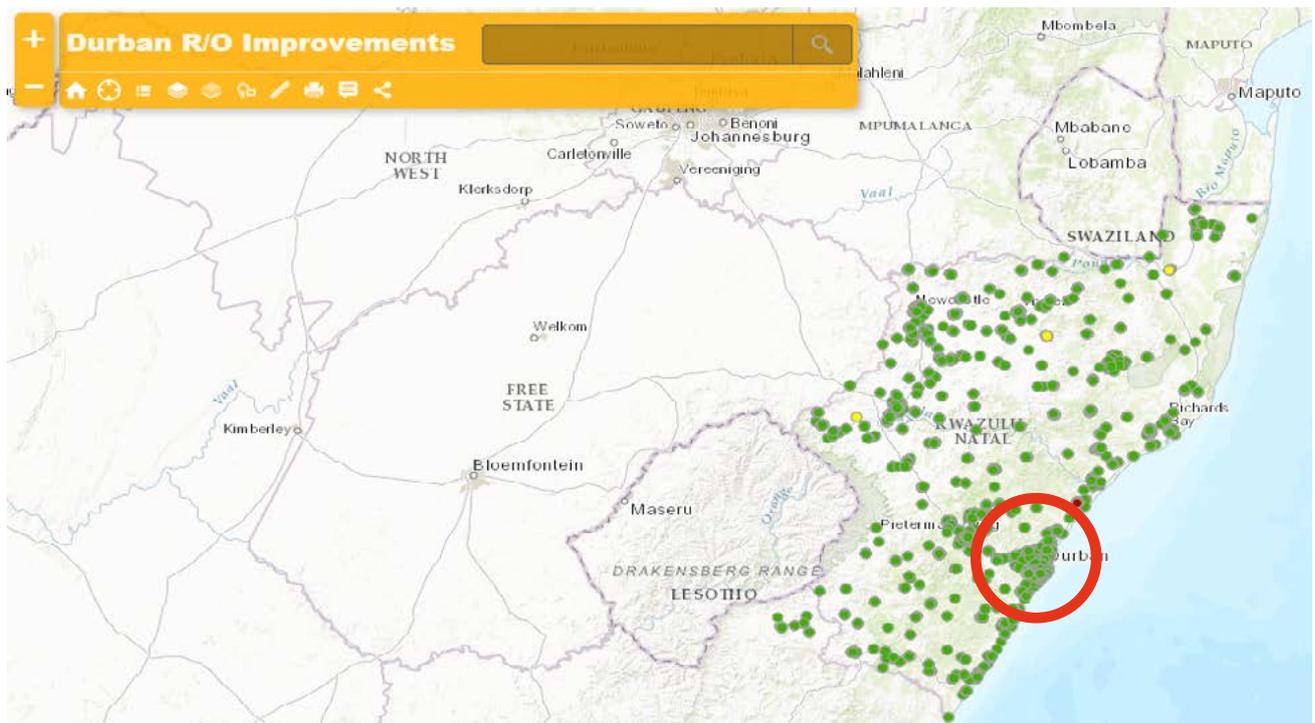
An example of the properties in Pretoria is shown below (figure 1.4) with a concentration around Weskoppies (circled in red), as can be seen in the GIS plot below. The green dots are occupied properties and the yellow dots are the unoccupied properties.

Fig 1.4 GIS plot of properties in the Pretoria region



The GIS plot below (figure 1.5) indicates the location of all the properties in the Durban region. The green dots are occupied properties and the yellow dots are the unoccupied properties. There is a fair distribution of the properties across the province and a cluster in the area circled in Red.

Fig 1.5 GIS plot of properties in the Durban region



The ESRI GIS functionality allows a multitude of views (slice/dice) that facilitates greater management control over information management and business intelligent built into the graphical representation of the immovable assets. With the ever growing need for accessibility and the need to ensure that the PMTE is able to effectively manage its business across its regions, the PMTE has been exploring ways to enhance its data mobility capability. A strategic partner was appointed to rollout unified communications and other related services. The network provided in the solution includes seamless communications between the regions and head office. Using the Unified Communications Solution, inter-branch calls on VOIP will be zero-rated, deriving savings on telecommunication costs. Faster data speeds will allow for the use of video conferencing for meetings resulting in additional savings on travel.

The Unified Communications Solution will also enable the collection of data from remote sites relating to water and energy consumption, surveillance of project progress at construction sites, operation of lifts and chillers and monitoring the execution of maintenance work. Using the solution, PMTE will be able to access critical data at remote sites including data from the Archibus, Sage systems and the ESRI GIS graphical information.

- **Facilities Management**

During the 2015/16 financial year, the importance of maintenance has been acknowledged. As a result, the Facilities Management division has been restructured with the key focus areas being scheduled and unscheduled maintenance, and energy and water management. Included in its realm of responsibility lies the drive for the green economy.

A number of areas have been identified that require intervention. These include analysis of budgets and patterns of spending relating to day-to-day maintenance, addressing control weaknesses identified during past audits and introducing evolving technology and systems to promote business efficiency.

In the next 12 months a Maintenance Strategy will be developed which will include the following key activities:

- Review of current practices with a view to develop improved business dispensation
- Implementation of NIMS
- Leveraging the emerging ICT platform
- Total facilities management for high priority facilities
- Leveraging maintenance of state properties for skills development and employment

The Unified Communications Solution will have a significant impact on how technology assists facilities management going forward. The identification of the type of maintenance required through telemetry platforms and intelligent devices interfaced into the ERP systems currently being implemented will result in intelligent management of the PMTE facilities. Some of the benefits include monitoring success of energy management initiatives, baselines for preventive maintenance planning, establishing baselines based on data collected, improved communication, better service delivery and monitoring service providers' performance and quality of work.

The PMTE Facilities Management division has the platforms to contribute to the governmental plan of job creation and skills development in the various occupations through the different programmes that it operates. In collaboration with the Property Sector and relevant private bodies, quarterly meetings have been instituted to create mutually beneficial partnerships and address the challenges of unemployment through the creation of sustainable jobs and also contribute to the transformation agenda in the built environment.

According to the United Nations Environment Programme (UNEP), buildings globally account for approximately 40% of annual energy consumption, 25% of water and up to 30% of all energy-related greenhouse gas emissions. In 2015, the Department was directed to ensure that all government buildings become energy efficient in support of the alleviation of the energy challenges experienced by South Africa. PMTE is at the forefront of ensuring that Government leads by example in meeting its global and political commitments to Climate Change Mitigation.

The following progress has been achieved:

- The PMTE reported 282 million kWh savings, which exceeded the set target of 220 million kWh in energy savings. This was achieved in the five Regional offices under a Shared Energy Savings Contracts and through the installation of Smart Meters in 7043 buildings. Further energy savings are expected to be reported as a result of more Shared energy Savings contracts being rolled out in the remainder of the Regional offices.
- Collaboration with the Department of Energy saw the launch of a 9 month national energy efficiency campaign in buildings – "SAVE ENERGY It's in Your Hands". To complement the technical interventions and the national SAVE ENERGY" in buildings campaign, behavioural changing awareness campaigns will be rolled out in the government buildings starting in the winter season 2016.

- The Department's Green Building Policy was approved. The expectations and the vision are for the Policy and the Green Building Norms and Standards to be adopted by other government departments and the construction sector to achieve sustainability in the built environment.
- Water savings in excess of 40 million kilolitres were achieved over the last 7 years, translating to roughly R422 million in monetary savings.

The PMTE's Water Unit is functionally responsible for the maintenance and refurbishment of 13 Water and 26 Wastewater treatment plants. The Department was awarded a Blue Drop Certification in recognition of exceptional performance and credits exceptional drinking water quality following the guidelines as set out by the World Health Organisation.. In collaboration with Amathola Municipalities, the unit obtained authorisation and licensing for waste water treatment plants intervention from the Department of Water and Sanitation in the Eastern Cape Region. Additionally, the unit contributed to job creation by employing a total of 104 water professionals during the reporting period.

The plan for the next financial year is to extend the scope of service relating to maintenance and refurbishment of a further 50 Water and Wastewater Treatment Plants. A further 30 new boreholes to be drilled to augment water supplies in areas where there is shortage of water.

- **Construction Project Management**

The PMTE aims to ensure that all buildings under its custodianship are built and operated in an environmentally sustainable way. Notable progress under construction project management is acclaimed particularly with regard to the following projects:

- The Capital Hill Precinct in Tshwane, the refurbishment and upgrade of Agrivaal Building has been completed, providing a 40 000 m<sup>2</sup> state-owned facility which has achieved a 4 star green-design rating for energy efficiency and water savings.
- In the Southern Precinct (Salvokop), the Statistics South (Stats SA) Head Office building is nearing completion.

Other projects include:

- The Diepsloot police station which provides the much needed services to the community;
- Upgrades at the prison in Matatiele – which included the erection of ten new cells. Notable planned maintenance projects (e.g. repairs and civil works, roads and storm water and other services) have been executed by the department in Johannesburg, Paarl, Brits, Bloemfontein, East London, Port Elizabeth and Durban;
- Skilpadshek Land Port of Entry - construction of main border post (civil works, operational buildings, bus and light vehicle inspection);
- Thaba Tshwane prison: repair and maintenance of building, wet services and civil infrastructure;
- SAPS – repairs and renovations and additions (Bishop Lavis); and
- SAPS – construction of a new shooting range.

In delivering these social infrastructure projects, the PMTE has heeded the call for job creation and support for youth and women contractors.

## **Contribution to the Oceans Economy**

In pursuance of the Department's commitment to Operation Phakisa: "Oceans Economy Unlocking the Economic Potential of South Africa's Oceans" and in alignment with the vision to maximise the utilisation of state owned immovable assets to create jobs and grow the country's overall oceans economy, the Department convened an engagement with the Departments of Environmental Affairs, Agriculture, Forest and Fisheries and Planning, Monitoring and Evaluation and local Municipalities as well as the private sector in August 2015 to discuss the further development of 13 Proclaimed fishing Harbours in the Western Cape.

The purpose of the engagement was to share the work already done in the Oceans Economy Stream of Operation Phakisa as well as the final Spatial and Economic Development Framework for 13 identified harbours detailing proposed infrastructure repair and maintenance projects for each harbour commencing in the 2016/17 year and ending in March 2019. This engagement kick-started a consultative process with municipalities for the endorsement of SEDFs as well as various consultations with business owners in the 13 fishing harbours. These engagements will be finalised in the 2016/17 financial year.

### Operationalisation of PMTE

- Transfer of budget from the main account to PMTE

Subsequent to the transfer of additional functions from the main account to the PMTE with effect from 1 April 2014, the budget linked to these functions was also transferred to the PMTE with effect from 1 April 2015. The PMTE therefore had to manage and account for all operational expenditure (compensation of employees, goods and services and machinery and equipment) incurred by the PMTE for the 2015/16 financial period.

As the PMTE is still in the process of configuring its own personnel management and procurement modules on the new billing and accounting system (Sage), all operational transactions are still processed as a shared service on the existing transversal systems used by the main account. Hence, whilst the initial expenditure is incurred by the main account it is recovered from the PMTE through a normal inter departmental claims process.

It is planned for the PMTE to have its own personnel management and procurement modules activated on Sage early in the next financial year in order to avoid this protracted and cumbersome recovery process.

- Financial systems development and enhancements

As from 31 March 2016 the PMTE found itself in a very precarious position with regards to the expiry of the application of Directive 2 of the Accounting Standards Board. The application of this directive has allowed a period of three years for the PMTE to fully comply with all GRAP requirements. In particular all assets (movable and immovable) are now to be appropriately disclosed from both a completeness and valuation perspective. Having taken responsibility for the largest asset base in the country through a functional transfer in April 2013, this surely presented a serious challenge to the PMTE.

To complicate matters further, the development of a comprehensive and integrated systems environment to directly support the improved operational model of the PMTE has not yet been concluded. As previously reported, the SAGE Billing and Accounting system has been implemented in the previous financial year and PMTE transactional payments are being effected from it. A Procurement model is currently also being developed to enhance the accounting platform and to entrench more automated GRAP capabilities and additional controls. When this accounting platform is integrated with the Archibus solution that is primarily targeted towards active management of line function operations, this will provide an integrated Enterprise Resource System (ERP) that will manage all transactions in a cohesive manner.

The Purchase Order Module as well as the integration to the line function systems (Archibus), is already underway as it is being customised with roll out planned in phases during the 2016/17 financial year. The first module to be implemented will be that of leases management which is planned to go live in April 2016. The rest of the modules will follow during the financial year with the exception of the capital budgeting module which will be implemented in April 2017 to align with the start of the new financial year.

The full implementation of the ERP Solution will not only assist in the management of the property operations and preparation of automated GRAP compliant financial statements, but will also ensure that open orders are actively monitored to ensure service providers are paid within prescribed timeframes.

## 1.4 OVERVIEW OF FINANCIAL RESULTS

### 1.4.1 Main Account

#### Programme revenue 2015/16

The table below (table 1.4) is showing a comparison of the departmental revenue receipts against estimates for the current and prior year.

Table 1.4 Revenue Receipts

Departmental receipts	2015/16			2014/15		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of goods and services other than capital assets	578	994	(416)	7 705	6 667	1 038
Fines, penalties and forfeits	-	-	-	-	7	(7)
Interest, dividends and rent on land	-	2 300	(2 300)	100	5 019	(4 919)
Sale of capital assets	-	-	-	-	-	-
Financial transactions in assets and liabilities	1 300	3 812	(2 512)	5 433	4 439	994
<b>Total Departmental receipts</b>	<b>1 878</b>	<b>7 106</b>	<b>(5 228)</b>	<b>13 238</b>	<b>16 132</b>	<b>(2 894)</b>

The Department collected a total of R7.1 million compared to R13.2 million of the previous year. The decrease mainly resulted from the reduction in Sales of Goods and Service other than Capital Assets which is as a consequence of the transfer of functions to the PMTE.

#### Budget Allocation 2015/16

The budget relating to the functions transferred to the PMTE was allocated to the entity in 2015/16. The Department consequently implemented a new programme budget structure to align to the functional mandates remaining within the main account. These new programmes were implemented with effect from the 2015/16 financial year.

In order to have comparative numbers in the main account it was necessary to restate the actual programme spending for the 2014/15 financial year in order to align it to the newly adopted programme structure. Even though the budget and expenditure was restated per programme, the budget and the expenditure per economic classification remained unchanged as it was not affected by the changes made to the programmes.

The transfer of functions also affected the classification and apportionment of the budget for Transfers and Subsidies of the Department. Transfers and Subsidies has more than doubled from the previous financial year (2014/15: 42%) and now make up 86% (R5.412 billion) of the total adjusted budget allocation. This is due to the fact that R3.625 billion has been allocated to the PMTE.

The Department's adjusted appropriation for the year under review was R6.312 billion which is a 3% increase compared to the 2014/15 financial year's adjusted appropriation of R6.121 billion. The increase in the budget allocation was due to the increased allocation for transfers and subsidies relating to EPWP: Non State Sector.

As depicted in the table below (table 1.5), the bulk of the appropriated financial resources (90%) are allocated between EPWP (31%) and Property and Construction Industry Policy and Research (59%). These two programmes represent the major proportion of the Department's mandate.

Table 1.5 Budget Allocation per Programme Programmes

	R`000	Allocation as %
Programme 1: Administration	480 334	8%
Programme 2: Intergovernmental Coordination	46 015	1%
Programme 3: Expanded Public Works programme	1 953 369	31%
Programme 4: Property and Construction Industry Policy and Research	3 742 985	59%
Programme 5: Prestige Policy	89 519	1%
<b>Total</b>	<b>6 312 222</b>	<b>100%</b>

#### Expenditure Analysis

A summary of the Department's financial performance is provided below which show the overall budget and expenditure (table 1.6), expenditure analysis per programme (table 1.7) as well as spending per economic classification (table 1.8).

Table 1.6 Overall Expenditure Analysis

	2015/16	2014/15
	R`000	R`000
Budget allocation	6 312 222	6 121 320
Actual Expenditure	6 281 147	6 022 038
Actual: Spent Budget %	99%	98%
Unspent funds	30 715	99 282
Actual: Unspent Budget %	1%	2%

Table 1.7 Expenditure Analysis per Programme

	2015/16				2014/15			
	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % %	Final Appropriation R'000	Actual Expenditure R'000	Expenditure as % %	
Administration	480 334	479 150	1 184	99.8%	620 404	615 939	99.3%	
Intergovernmental Coordination	46 015	44 747	1 268	97.2%	26 719	26 719	100.0%	
Expanded Public Works Programme	1 953 369	1 939 909	13 460	99.3%	1 946 480	1 925 580	98.9%	
Property And Construction Industry Policy and Research	3 742 985	3 735 387	7 598	99.8%	3 342 207	3 268 292	97.8%	
Prestige Policy	89 519	89 154	7 565	91.5%	185 510	185 508	100.0%	
<b>Totals</b>	<b>6 312 222</b>	<b>6 281 147</b>	<b>30 715</b>	<b>99.5%</b>	<b>6 121 320</b>	<b>6 022 038</b>	<b>98.4%</b>	

Table 1.8 Spending Per Economic Classification

	2015/16				2014/15			
	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000	Expenditure as % of final appropriation %	
Current payments								
Compensation of employees	454 959	435 858	19 101	95.8%	1 613 619	1 591 775	98.6%	
Goods and services	370 820	364 462	6 358	98.3%	1 444 178	1 428 327	98.9%	
Interest and rent on land	1 573	1 573	-	100.0%	9	9	100.0%	
Transfers & subsidies								
Provinces & municipalities	1 140 001	1 139 399	602	99.9%	1 201 520	1 200 256	99.9%	
Departmental agencies & accounts	3 653 519	3 653 519	-	100.0%	802 506	802 476	100.0%	
Foreign governments & international organisations	23 273	23 363	(90)	100.4%	22 548	22 548	100.0%	
Public corporations & private enterprises	50 000	50 000	-	100.0%	50 000	50 000	100.0%	
Non-profit institutions	535 147	535 147	-	100.0%	477 481	488 502	102.3%	
Households	10 467	9 886	581	94.4%	14 619	13 992	95.7%	
Payment for capital assets								
Buildings & other fixed structures	-	-	-	-	386 552	315 914	81.7%	
Machinery & equipment	27 703	23 180	4 523	85.0%	103 626	103 577	100.0%	
Software & other intangible assets	357	357	-	100.0%	1 223	1 223	100.0%	
Payment for financial assets	44 403	44 403	-	100.0%	3 439	3 439	100.0%	
<b>Total</b>	<b>6 312 222</b>	<b>6 281 147</b>	<b>31 075</b>	<b>99.5%</b>	<b>6 121 320</b>	<b>6 022 038</b>	<b>98.4%</b>	

The Departmental spending for the period under review is R6.281 billion which represents 99.5% of the adjusted budget of R6.312 billion. Under spending of R31 million occurred on compensation of employees, goods and services and machinery and equipment.

Spending per programme and economic classification is as follows:

- Programme 1: Administration

The under spending of R1.2 million relates to:

- Machinery and equipment not acquired due to vacant positions not filled.
- Programme 2: Intergovernmental Coordination

The under spending of R1.3 million relates to:

- Machinery and equipment under spending of R973 000 and is directly linked vacant positions not filled.
- The remainder relates to household expenditure not incurred originally provided for.
- Programme 3: Expanded Public Works Programme

The under spending of R13.5 million in Programme 3 is mainly due to the following:

- Compensation of employees underspending by R10 million is due to vacant positions within EPWP that were filled in the latter part of the financial year.
- Goods and services under spent by R2.6 million for committed funds for EPWP advances which will be processed before system closure for the financial year.
- Transfers and subsidies underspent by R600 000, and relate to transfer payments to Provinces for EPWP Integrated Incentive Grant. Funds were withheld due to non-compliance to the Division of Revenue Act by the provinces.
- The remainder relates to machinery and equipment not incurred originally provided for.
- Programme 4: Property and Construction Industry Policy and Research

Under spending of R7.5 million in Programme 4 is due to the following:

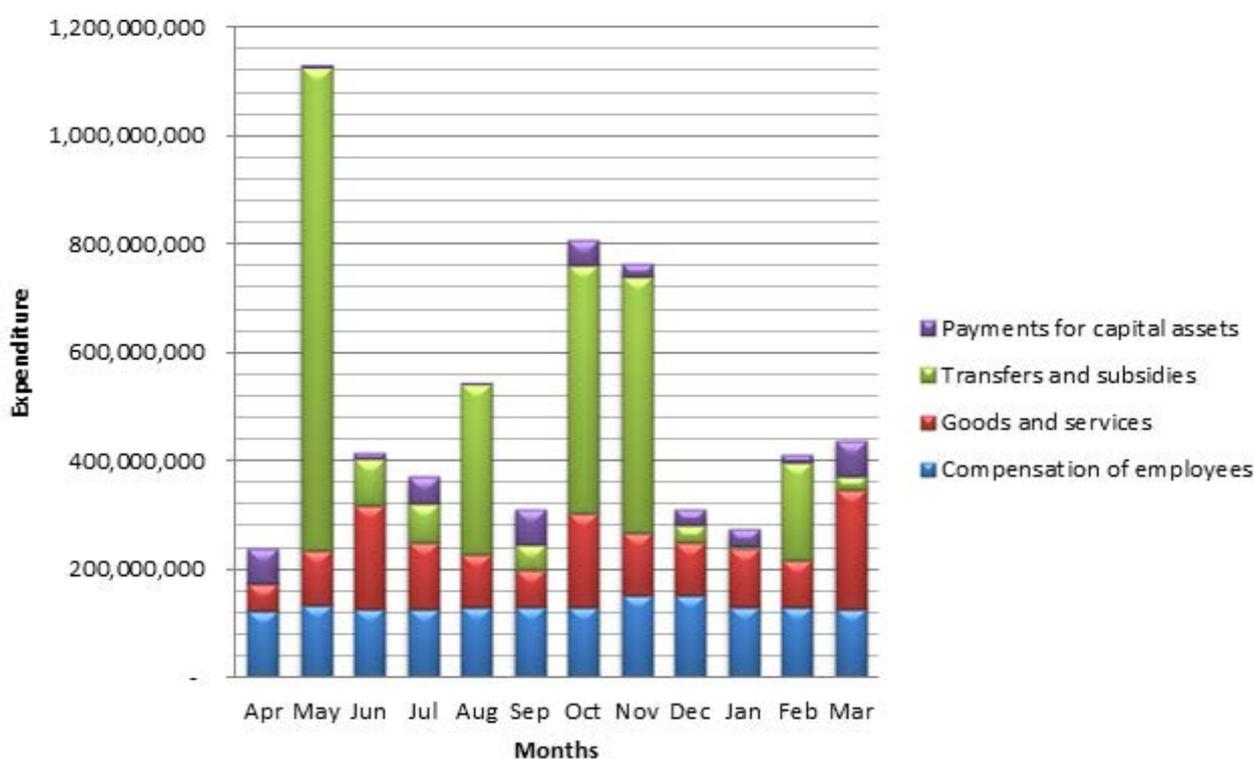
- Compensation of employees under spending of R5.5 million is due to vacant positions which were not filled during the financial year.
- Goods and services under spending of R2 million under goods and services is due to late receipts of invoices resulting in reported accruals.
- Programme 5: Prestige Policy

Under spending of R7.5 million in Programme 5 is due to the following:

- Compensation of employees under spending of R3.5 million is due to vacant positions within the branch not being filled in the latter part of the financial year.
- Goods and services under spending of R2 million under goods and services is due to late receipts of invoices resulting in reported accruals.
- Machinery and equipment under spent by R2 million, and is directly linked to vacant positions not filled in the latter part of the financial year.

- Spending trends

Figure 1.6 Spending trends



The monthly expenditure was in the average region of R502 million with high spending of R1.1 billion during May 2014 and low spending in April 2015. The expenditure for the months of May, August, October and November 2014 and February 2015 was high as it includes substantial transfers to departmental entities, EPWP non-state sector and EPWP incentive grants to provinces and municipalities.

- Virement

At the end of the financial year, the department shifted funds between sub programmes and economic classification in line with the PFMA and the set threshold of 8% was not exceeded. The funds were then utilised as per the table below:

Table 1.9 Virement applied for 2015/16

	Prog 1	Prog 2	Prog 4	Prog 5	Total
	R' 000	R' 000		R' 000	R' 000
Compensation of employees	-	-	-	(2 988)	(2 988)
Goods and services	-	-	-	(292)	(292)
Transfers and subsidies	-	-	-	-	-
Payments for capital assets	-	-	23	(23)	-
Payments for financial assets	2 988	292	-	-	3 280
Total	2 988	292	23	(3 303)	-

The following virement of funds were applied:

- Programme 1 was increased by R3 million for the Payment for Financial Assets through virement of funds from Programme 5: Compensation of employees as per approval granted by the Accounting Officer.
- Programme 2 was increased by R292 000 for the Payment for Financial Assets through virement of funds from Programme 5: Goods and Services as per approval granted by the Accounting Officer.
- Programme 4 was increased by R23 000 for the Payment for Capital Assets through virement of funds from Programme 5 provided for the same purpose. High expenditure on Programme 4 related to additional payments for machinery and equipment which was not anticipated in the current financial year.

- Programme 5 decreased by R3.3 million to offset expenditure relating to Payments for Financial Assets in Programmes 1 and 2. Funds were also moved to Programme 4 for the increased payment for tools of trade which was not originally anticipated.

## 1.4.2 PMTE

Subsequent to the transfer of additional functions from the main vote to the PMTE, the budget linked to these functions was also transferred to the PMTE with effect from 1 April 2015. The PMTE therefore had to manage and account for all administrative expenditure (compensation of employees, goods and services and machinery and equipment) incurred by the transferred functions for the 2015/2016 financial period.

As this is the first year in which the PMTE applied the new programme budget and budget structure, there are no comparative figures for the prior year at a programme level (table 1.11). The PMTE did however report on the operational budgets at an objective level in 2014/2015 and therefore the comparative figures are reflected per economic classification (table 1.14).

### Programme revenue 2015/16

The table below depicts a comparison of the estimated PMTE revenue compared to the actual receipts (excluding municipal services revenue recovered in line with the agent-principal criteria).

Table 1.10 Budget vs. actual receipts

Revenue stream	2015/16				2014/15			
	Final budget	Actual receipts	Variance	% variance	Final budget	Actual receipts	Variance	% variance
	R'000	R'000	R'000		R'000	R'000	R'000	
Accommodation charges - leasehold	4,004,181	3,665,573	338,608	92%	3,801,034	3,717,172	83,862	98%
Accommodation charges - state owned	6,478,695	6,403,815	74,880	99%	5,903,067	5,773,897	129,170	98%
Augmentation	3,524,652	3,524,652	-	100%	673,372	673,372	-	100%
Management fee on municipal services	191,411	169,504	21,907	89%	190,000	180,042	9,958	95%
Other	29,279	88,072	(58,793)	301%	36,538	61,678	(25,140)	169%
<b>Total</b>	<b>14,228,218</b>	<b>13,851,616</b>	<b>376,602</b>	<b>97%</b>	<b>10,604,011</b>	<b>10,406,161</b>	<b>197,850</b>	<b>98%</b>

The large variance on "Other revenue" relates to deposits which have not been identified and allocated to the relevant accounts.

### Budget allocation 2015/16

The PMTE's total allocation for 2015/16 was R14.2 billion. As depicted in table 1.11 below, the bulk of these resources are allocated to construction management services, real estate management services and facilities management services. These line function programmes represent the major proportion of the PMTE's mandate and deliverables.

Table 1.11 Budget allocation per programme

PROGRAMME	R'000	Allocation as %
Administration	847,287	6%
Real Estate Investment Services	105,850	1%
Construction Management Services	4,695,272	33%
Real Estate Management Services	5,695,069	40%
Real Estate Registry Services	207,745	1%
Facilities Management Services	2,676,995	19%
<b>Total</b>	<b>14,228,218</b>	<b>100%</b>

### Expenditure analysis

A summary of the PMTE's financial performance is provided in table 1.12, 1.13 and 1.14 below which reflect the overall budget and expenditure as well as spending per economic classification (excluding municipal services expenditure incurred in line with the agent-principal criteria).

Table 1.12 Overall expenditure analysis

	2015/16
	R'000
Budget allocation	14,228,218
Actual expenditure	14,321,991
Actual: spent budget %	101%
Overspending	93,773
Actual: budget overspend %	1%

Table 1.13 Expenditure analysis per programme

PROGRAMME	2015/16			
	Final allocation	Actual expenditure	Variance	% spent
	R'000	R'000	R'000	
Administration	847,287	716,545	130,742	85%
Real Estate Investment Services	105,850	111,358	-5,508	105%
Construction Management Services	4,695,272	4,672,061	23,211	100%
Real Estate Management Services	5,695,069	5,759,524	-64,455	101%
Real Estate Registry Services	207,745	38,300	169,445	18%
Facilities Management Services	2,676,995	3,024,202	-347,207	113%
<b>Total</b>	<b>14,228,218</b>	<b>14,321,991</b>	<b>-93,773</b>	<b>101%</b>

Table 1.14 Spending per economic classification

ECONOMIC CLASSIFICATION	2015/16				2014/15			
	Final allocation	Actual expenditure	Variance	% spent	Final allocation	Actual expenditure	Variance	% spent
	R'000	R'000	R'000		R'000	R'000	R'000	
Current payments								
Cleaning and Gardening	210,099	211,672	-1,573	101%	202,073	186,815	15,258	92%
Leasing (Private owned)	4,097,073	4,078,738	18,335	100%	3,801,034	3,808,838	-7,804	100%
Repairs	781,151	1,054,100	-272,949	135%	1,152,858	1,139,063	13,795	99%
Day-to-day Maintenance	1,275,091	1,383,025	-107,934	108%	1,110,067	1,110,067	0	100%
Municipal Services	282,457	232,440	50,017	82%	244	244	0	100%
Property Rates	1,056,178	1,259,470	-203,292	119%	960,162	801,817	158,345	84%
Compensation of Employees	1,288,773	1,140,657	148,116	89%				
Goods and Services	720,244	601,099	119,145	83%				
Capital payments								
Upgrades and refurbishments	1,204,786	1,158,614	46,172	96%	973,758	962,189	11,569	99%
Machinery & Equipment	30,693	13,250	17,443	43%				
Client Infrastructure	3,281,673	3,188,926	92,747	97%	1,727,016	1,487,547	239,469	86%
<b>Total</b>	<b>14,228,218</b>	<b>14,321,991</b>	<b>-93,773</b>	<b>101%</b>	<b>9,927,212</b>	<b>9,496,580</b>	<b>430,632</b>	<b>96%</b>

Material variance explanations per economic classification are as follows:

#### Repairs

The budget is based on the cash flow projection relating to the planned projects roll-out of an extensive project portfolio. The funding needs required for this purpose changes constantly due to volatile external factors. It is extremely challenging to align this changing demand timeously to match project impediments.

#### Day-to-day Maintenance

This budget relates to day-to-day ad hoc and non-routine maintenance. Due to the nature of these expenses, the budget is monitored and adjusted frequently.

#### Municipal Services

Due to the water and energy efficiency measures implemented, the PMTE managed to save on the cost originally budgeted related to municipal services.

#### Property Rates

The PMTE was not able to accurately budget for the property rates relating to backlog charges as the project to verify the outstanding debt was not finalised at the time. The regional offices were given instruction to settle all outstanding verified debt by year end.

#### Compensation of Employees, Goods and Services, Machinery and Equipment

In the absence of PMTE having its own PERSAL and procurement systems all PMTE administrative expenditure was incurred on the Department's systems (LOGIS and BAS). A manual process was followed between the Department and the PMTE to ring fence, claim and journalise the PMTE expenditure. All claims were not received and processed for payment before the end of the reporting period resulting in the difference between the budgeted expenditure and actual payments.

## Client Infrastructure

A specific portion was ring fenced in the client capital allocations for BCOCC. No active projects existed for this purpose and as a result funds could not be utilised. The PMTE requested National Treasury to transfer a portion of these funds to the Department of Home Affairs. On the date that National Treasury received the submission, there was unfortunately no legislative mechanism to transfer the funds as the adjusted estimates of national expenditure was already finalised.

## 1.5 FUTURE PLANS OF THE DEPARTMENT

- Public private partnerships (PPP)

The Department participated in a PPP for the provision of Fleet Management Services through the National Department of Transport. The PPP provides full maintenance lease vehicles as per the Departments requirement. The contract is scheduled to end on 28 February 2017.

- Managing the Bank overdraft of the PMTE

The current operating model of the PMTE gives rise to a revolving overdraft on the bank account. This is mainly caused by the timing delay between the payment of third party contractual obligations and the eventual recovery of these costs from user departments. The process that is followed to recover monies relating to private leases, municipal services, client infrastructure spending (Capital allocation) and other recoverable infrastructure projects gave rise to an average delay of 60 to 90 days in matching the initial payment and the eventual cost recovery.

In essence, this model provided interest free short-term bridging finance to user departments for the cost recovery period. As there are no other significant revenue sources that can supplement the cash flow requirements of the PMTE, this primarily contributed to the overdrawn bank account.

The mentioned financial (cash flow), exposure emanating from PMTE's operating model will be addressed as follows:

- Signing of Service Level Agreements (SLA) with user departments to enforce advance billing of leases, and thereby committing them to the payment of these liabilities in advance as is also the practice in this industry.
- National Treasury has indicated their support to this proposal. Advance billing for contractual obligations should not be regarded as pre-payments which may put the Exchequer at risk, but rather as an advance to secure continued occupation that will be reconciled and acknowledged on a monthly basis.
- Speedy resolution of all disputed debts. Historical debts of client departments which are still outstanding due to historical disputes directly contribute to the PMTE's inability to eliminate the bank overdraft.

The proposed revised process will create a framework where third party payments and cost recoveries can be matched better from a timing perspective.

- Finance Model for the PMTE

To accurately determine the funding needs of the operating model of the PMTE, a detailed finance model will be developed to support the operational enhancements that are planned for implementation. The model will guide the financial efficiency of the trading entity in the medium term to a position where it can model different options on how to achieve financial sustainability. The PMTE has committed in its 2016/17 Annual Performance Plan to have the finance model ready for implementation by 31 March 2017. The PMTE will therefore conceptualise the key drivers of this finance model and start with its development and integration to other support systems early in the 2016/17 financial period.

The model will cover all streams that feed into both the revenue and expenditure budgets of the PMTE in order to accurately project the anticipated funding deficit or surplus over a multi-year period.

In order to achieve this in an evolving institutional environment, it is important that the expenditure side of the model be driven by the enhanced operating model of the PMTE designed to support improved operational

efficiencies. The revenue side of the model will be more complex and will need to also have the support of external stakeholders such as the National Treasury. The fundamental principles that will inform the revenue side of the model are, inter alia:

- The cost of services rendered to be recovered from clients
  - Revenue streams and tariffs to incentivize clients to preferably make use of state owned assets
  - The tariff structure to make provision for different classes of assets as well as their condition
  - The tariff structure to align to the national budget allocations for this purpose in the short term with an agreed escalation rate that will support financial sustainability targets of the PMTE in the medium term
  - Assets in the Immovable Asset Register will drive the revenue generating capacity of the PMTE. As such productive assets (already leased out), will have to be linked to its medium term refurbishment programme which may affect a change in rates charged. Similarly other assets that are targeted to be leased out in future periods are also to be identified and updated to the model on a regular basis
  - The finance model will furthermore provide various alternatives of how the revenue generating assets and other revenue streams from the public and private sector can be utilized to optimally enhance financial performance and sustainability of the PMTE
- **Supply Chain Management**

The Department and the PMTE both make use of the SCM unit on the basis of a shared service. The envisaged business model for SCM recognises that the current core SCM component will reside within the PMTE whilst a smaller SCM component will remain in the main vote supporting non-PMTE functions.

The reform trajectory for supply chain is on track and remains aligned to the Department's 7 year turnaround strategy. SCM has traversed from the first phase of correction of inefficiencies to the second phase of stabilization. Sustained progression towards standardization, integration and optimization will culminate in SCM efficiencies that will contribute to attainment of the SCM vision of "becoming the leading procurement agency in the public sector".

The Departments supply chain reforms have adopted a focused "best practice" approach for the entire public works sector. Progress on key supply chain reform areas are monitored at the level of the Technical Minmec and the Public Works Sector CFO's Forum. A shared common vision of the sector is to have uniform supply chain processes and systems to ensure efficiencies and streamlined reporting.

In the 2015/16 financial year the department worked with the National Treasury OCPO and concluded a review of the business processes for the provision of office accommodation to client departments. The new leasing framework advocates for the use of panels of estate agents, property brokers, landlords, potential landlords, facilities management agents, etc. from who offers for lease requirements will be solicited.

The terms of reference and methodology to use the panel will be developed in collaboration with National Treasury. Thereafter, the department will embark on a pilot phase to assess the efficacy of the framework and full roll out and implementation will occur on 1 April 2017.

- **Unsolicited bid proposals**

For the year under review the Department has not concluded any unsolicited bid proposals.

- **SCM processes and systems to prevent irregular expenditure**

Efforts in fighting the pervasive fraudulent order scam were intensified during the reporting year. The department embarked on a countrywide road-show with suppliers to create awareness around this. Newspaper warnings have been issued and other forms of media (Departmental Website, Fraud Hotline, Dedicated telephone lines, Press Briefings, etc.) were also used to create awareness. The fact that service providers are now increasingly verifying the status of the department's legitimate orders prior to delivering is indicative of gains made in this war on fraud and corruption.

The roadshow also addressed delays in payment of supplier invoices and the inherent problems associated with invoicing. Mechanisms have since been employed to ensure the timeous payment of suppliers. The timeous payments to suppliers cannot be overemphasized and in this regard the Finance and SCM Branch report monthly on payment statistics.

To further enhance internal controls to prevent irregular expenditure, the Department has issued a policy instruction in the form of a circular which now embeds the Inspectorate and Compliance Unit as a “procurement gatekeeper” to review all procurement strategies and recommendations prior to final adjudication and award. The department has further adopted a zero tolerance approach to procurement deviations and in instances where a deviation is required the requestor must submit a compelling business case to the relevant approval authority to justify the deviation.

- **SCM Achievements**

In support of the National Treasury’s initiative of implementing the Centralised Supplier Database (CSD) on 1 April 2016, the Department has during the reporting period ensured that its own supplier data has been cleansed and migrated to the CSD. The Department is now fully geared to utilise the CSD and welcomes the governance and compliance benefits of this database.

The Department has successfully implemented a new File Plan as aligned to the National Archives Requirements in order to strengthen its Document Management System. This not only makes retrieval of SCM records easier but ensures the integrity of auditable information.

The current SCM Policy, delegations and directives have undergone the annual review in order to ensure they align to the prescribed regulatory framework. Upon approval by the Departments EXCO this will then be rolled out inclusive of training to the entire Department.

In the year under review the SCM Unit embarked on a procurement strategy that seeks to implement “term contracts” for the procurement of frequently used common goods. The cost benefit of this pooling strategy is derived from economies of scale and procurement lead times are significantly reduced. The Department has concluded terms contracts for the following goods and services: Stationery, Office Furniture, Cleaning Material, Protective Clothing, State Funerals and State Visits.

The management of DPW movable assets has been a challenge due to the complexity and nature of business/service required. The department has however successfully introduced various intervention strategies in order to enhance the management and proper accounting for these assets. The interventions included inter-alia, effective and functional structure, sound internal controls, effective and efficient processes, procedures and systems. The success of these interventions is evidenced by the department not

- **Challenges experienced in SCM**

Capacity challenges are the root cause of SCM inefficiencies. Despite new structures being developed for both the main vote and PMTE, the Department is still unable to populate the structure due to fiscal constraints. The current workforce is barely able to cope with the large volumes of work. This does in fact impact on the ability of the Department to deliver on its mandate.

- **Future SCM Plans**

The Department also intends implementing a full electronic end to end procurement system for procurement of all goods and services. This will not only enhance transparency but will also promote efficiencies within the SCM system.

- **Gifts and donations received from non-related parties**

No gifts and donations were received from non-related parties.

- **Exemptions and deviations received from National Treasury**

The PMTE experienced numerous challenges with the introduction of itemized billing. The major challenge was the completeness of the Immovable Asset Register in terms of information on classification, size and occupation. It was also established that current funding allocated to clients were not aligned to the actual occupation of buildings. This was due to the inaccuracy of the IAR at the time of devolution (2006) as well as the changes in occupancy made by clients since then.

Furthermore the need became evident to also determine new rates based on the updated IAR and occupancy and allow for clients to budget for any shortfall they might experience in the coming financial years. It is anticipated that such new rates will not align to the financial sustainability of the PMTE from inception as the fiscus will not be in a position to increase budgets from current baselines in the short term.

The PMTE therefore received exemption from the National Treasury in the interim whereby invoicing can still be based on the original devolution amounts whilst also allowing for a reasonable growth percentage. The exemption has been granted until March 2017 and are conditional upon a project plan which contains the following key elements as agreed to with National Treasury:

- Implementation of the Asset module and Lease Module on Archibus
- Asset occupation details confirmation by user departments
- Phase 2: physical verification being completed
- Signing of lease agreements by user departments
- Tariffs / user charges determination and approval by Treasury
- Progression of the Invoicing of Client departments are to meet the following time lines:
  - o Invoicing client departments based on devolution (Year 2015/16)
  - o Invoicing based on detail confirmed by clients (Year 2016/17)
  - o Invoicing based on tariffs as approved by National Treasury (Year 2017/18)

## 1.6 ENTITIES REPORTING TO THE MINISTER

The Department has four entities (Council for the Built Environment (CBE), Construction Industry Development Board (cidb), Independent Development Trust (IDT) and Agrément South Africa) reporting to the minister. Each entity has a specific mandate and carries out operations in relation to the Department's core mandate. The table below details the specific nature of each entity.

Table 1. 15 Information on the Entities

Name of entity	Legislative mandate	Financial relationship	Nature of operations
Council for the Built Environment (CBE)	The CBE executes its mandate derived from the CBE Act 43 of 2000. The scope of the CBE and Professional Councils in the built environment value chain is to regulate those built environment professions who conceptualise, design, build, maintain and transfer social and economic infrastructure.	The CBE is fully funded from the National Revenue Fund. This is done through the Ministry of Public Works.	<p>Service (knowledge support to decision makers). The Built environment professions as defined by the Council for the Built Environment (CBE)</p> <ul style="list-style-type: none"> <li>- namely architects, engineers, landscape architects, project and construction managers, property valuers and quantity surveyors –</li> </ul> <p>Play an indispensable role in the production of the built environment</p> <ul style="list-style-type: none"> <li>- They are crucial to the industry's ability to deliver infrastructure</li> <li>- They are required to provide imaginative thinking and be at the cutting edge of technology</li> <li>- Exercise strategic managerial skills, and                             <ul style="list-style-type: none"> <li>- be skilled craftsmen in order to conceptualise and manage the delivery of the physical infrastructure that is fundamental to the development of the communities they serve.</li> </ul> </li> </ul> <p>Professionals are acknowledged for their ability to add real value through the devising of physical solutions in response to their briefs, maximising the potential of the site, and overcoming planning and other constraints.</p> <p>Construction industry participants exercise a significant influence on the lives of their customers, which include current users, those who pass by their buildings, and those users yet to be born. They therefore must ensure that they deliver physical infrastructure that is responsive to their customers' needs.</p>
Construction Industry Development Board (cidb)	Provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector.	Transfer payment.	<p>Enhancing the transformation of the industry through regulation amendments, support to clients/ officials on procurement practice notes, capacitation and frameworks aimed at reforming procurement practices and stimulating development and empowerment of emerging contractors.</p> <p>Hosting the National Stakeholder Forum meeting annually to advise the Minister on matters affecting the development of the construction industry.</p>

Name of entity	Legislative mandate	Financial relationship	Nature of operations
	Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry;		<p>Monitoring and evaluating the implementation of the National Contractor Development Programme (NCDP), inclusive of CDP guidelines, which is a public sector led programme comprising of a partnership between the cidb, National and Provincial Public Works and other willing stakeholders and partners.</p> <p>The objective of the NCDP is to increase the capacity, equity ownership, sustainability, quality and performance of cidb registered contractors.</p> <p>Development and implementation of the Best Practice Project Assessment Scheme to promote the performance of public and private sector clients in the development of the construction industry, including the cidb Standard for Indirect Targeting for Enterprise Development and the cidb Standard for Developing Skills through Infrastructure Contracts.</p>
	Determine, establish and promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process.		<p>Establishment and implementation of the Best Practice Contractor Recognition System which enables organs of state to manage risk on complex contracting strategies; and promotes contractor development in relation to best practice standards and guidelines developed by cidb.</p> <p>Improving the performance and best practice for an industry that delivers reliable value to clients, and other stakeholders, information on construction industry indicators to inform cidb strategy, policy makers and stakeholders</p>

Name of entity	Legislative mandate	Financial relationship	Nature of operations
	<p>Promote uniform application of policy throughout all spheres of government and promote uniform and ethical standards, construction procurement reform, and improved procurement and delivery management – including the Construction Code of Conduct.</p>		<p>Development and implementation of the Standard for Uniformity in Construction Procurement which is aimed at bringing about standardisation and uniformity in construction procurement documentation, practices and procedures.</p> <p>The cidb is a strategic partner to the Infrastructure Delivery Improvement Programme (IDIP) and has the responsibility to maintain and promote the toolkit as the enabler to the institutionalisation of the best practice methodology.</p> <p>It's supporting DPW and client departments and infrastructure delivery officials in procurement practices aiming at balancing delivery and empowerment.</p> <p>Periodic training and capacitation workshops are conducted at no cost to public sector institutions, to improve their compliance to the cidb regulatory environment.</p> <p>Constantly monitoring the Code of Conduct for all parties engaged in construction procurement to guide and regulate the behaviour of parties engaged in construction-related procurement.</p> <p>The cidb developed a Compliance Strategy that responds to the allegations of transgressions to the cidb Code of Conduct.</p> <p>Cases of transgressions are investigated and sanctions that are imposed on guilty parties are published on the cidb website and in the government gazette.</p>

Name of entity	Legislative mandate	Financial relationship	Nature of operations
	<p>Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the Registration of Projects and Contractors.</p>	<p>Grading and categorisation of contractors on the national Register of Contractors. The Register of Contractors serves as a macro risk management tool for the public sector and as a framework for contractor development. The register reflects the nature, size and geographic distribution of contractors and therefore the country's capacity to meet construction demand. The Register of Contractors forms a basis for the establishment of the best practice contractor recognition scheme.</p> <p>Establishment of the iTender system and the national Register of Projects. The Register of Projects reflects the nature, size and geographic distribution of projects. The Register of Projects forms a basis for the establishment of the best practice project assessment scheme designed to drive performance improvement.</p> <p>Establish and implement the Register of Professional Service Providers that will support risk management in the tendering process; reduce the administrative burden associated with the award of professional services contracts.</p> <p>To monitor and evaluate on a quarterly bases key indicators of the construction industry, including:</p> <ul style="list-style-type: none"> <li>• Client and contractor perceptions;</li> <li>• Construction spend, business and economic conditions; and</li> <li>• Contractor development and transformation.</li> </ul>	

Name of entity	Legislative mandate	Financial relationship	Nature of operations
Independent Development Trust (IDT)	<p>The IDT is a Schedule 2 public entity under the ambit of the national Department of Public Works. The entity serves as the Department's vehicle for construction programme and project management. The mandate of the IDT is provided through a Deed of Trust whose spirit and purpose is confirmed and guided through the annual review and contracting via the Shareholder Compact entered into and between the Executive Authority, the Minister for Public Works and the Board of Trustees for the IDT.</p>	<p>As part of efforts to facilitate medium term financial viability of the Organisation, the IDT received R100,000,000 from NT through the DPW. This was part of the R150,000,000 allocated to the entity over 3 years, with the last R50,000,000 tranche received at the beginning of the 2015/2016 financial year.</p> <p>In addition, the IDT, received the following programme funding, and related management fees, for implementation of public-funded intensive labour programmes, namely:</p> <ol style="list-style-type: none"> <li>1. EPWP: Funds for coordination of programme: R31,000,000; Management fees: R2,891,000</li> <li>2. Food for Waste Programme funds: R8,368,283,14 Management fees: R777,381.50 (8.5% management fee level)</li> <li>3. EPWP NSS Programme funds: R488,260,000 Management fees: R10,275,000 (2.3%)</li> </ol>	<p>Primarily, programme and project management.</p> <p>The IDT also provides integrated development services encompassing the mainstreaming of social facilitation in programme management, including management of social development programmes (which constitute approximately 5% of the total annual portfolio).</p>

Name of entity	Legislative mandate	Financial relationship	Nature of operations
<p>Agrément South Africa</p>	<p>Agrément South Africa shall support and promote the process of integrated socio-economic development in South Africa as it relates to the construction industry by facilitating the introduction, application and utilisation of satisfactory innovation and technology development, in a manner which will add value to the process and by so doing enhance Agrément South Africa's position as the internationally acknowledged, objective South African centre for the assessment and certification of non- standardised construction products.</p> <p>Agrément South Africa shall do this inter alia by providing assurance of fitness-for purpose of such technologies which optimise resource utilisation and realise cost saving in industry.</p> <p>In assessing fitness-for-purpose, a holistic view must be taken which includes technical, commercial and social factors, via economic viability, cost benefit and consumer acceptability</p>	<p>Agrément South Africa receives an annual grant from the Department of Public Works from its goods and services budget to cover the running costs and overheads of Agrément South Africa. This is in recognition of the fact that the assessment and certification process is expensive, and that it is Government policy to promote the use of innovative technology in the construction industry, a significant part of the total cost of the service will be borne by the State via suitable funding from public funds to administer and finance the operation of the Board.</p>	<p>South African centre for the assessment and certification of innovative non-standardised construction products, systems, materials, components and processes, which are not fully covered by a South African Bureau of Standard standard or code of practice. Innovative construction systems are assessed in accordance with Agrément South Africa approved criteria which could include the following aspects of assessment;</p> <ul style="list-style-type: none"> <li>• structural strength &amp; stability</li> <li>• water penetration and rising damp</li> <li>• thermal &amp; energy performance</li> <li>• performance in fire</li> <li>• quality management system</li> <li>• National Building Regulations</li> <li>• condensation</li> <li>• acoustic performance</li> <li>• accuracy in building</li> <li>• durability</li> </ul> <p>Successful certification of innovative construction technologies for which there are no national standards. Technical conduit to new and improved standardized building materials.</p> <ul style="list-style-type: none"> <li>• Improved performance of infrastructure due to advancements in products &amp; building systems</li> <li>• Leads to improvement of existing products</li> <li>• Leads to doing more with less</li> <li>• Helps delivery of infrastructure at a faster &amp; cheaper rate</li> <li>• contribute to accelerated infrastructure development</li> <li>• Reassurance of fitness of purpose</li> <li>• Authoritative assessment of system performance</li> <li>• Can effectively address housing backlog</li> </ul>

## Statement of responsibility and confirmation of accuracy for the annual report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report was prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Chapter 5) were prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that was designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

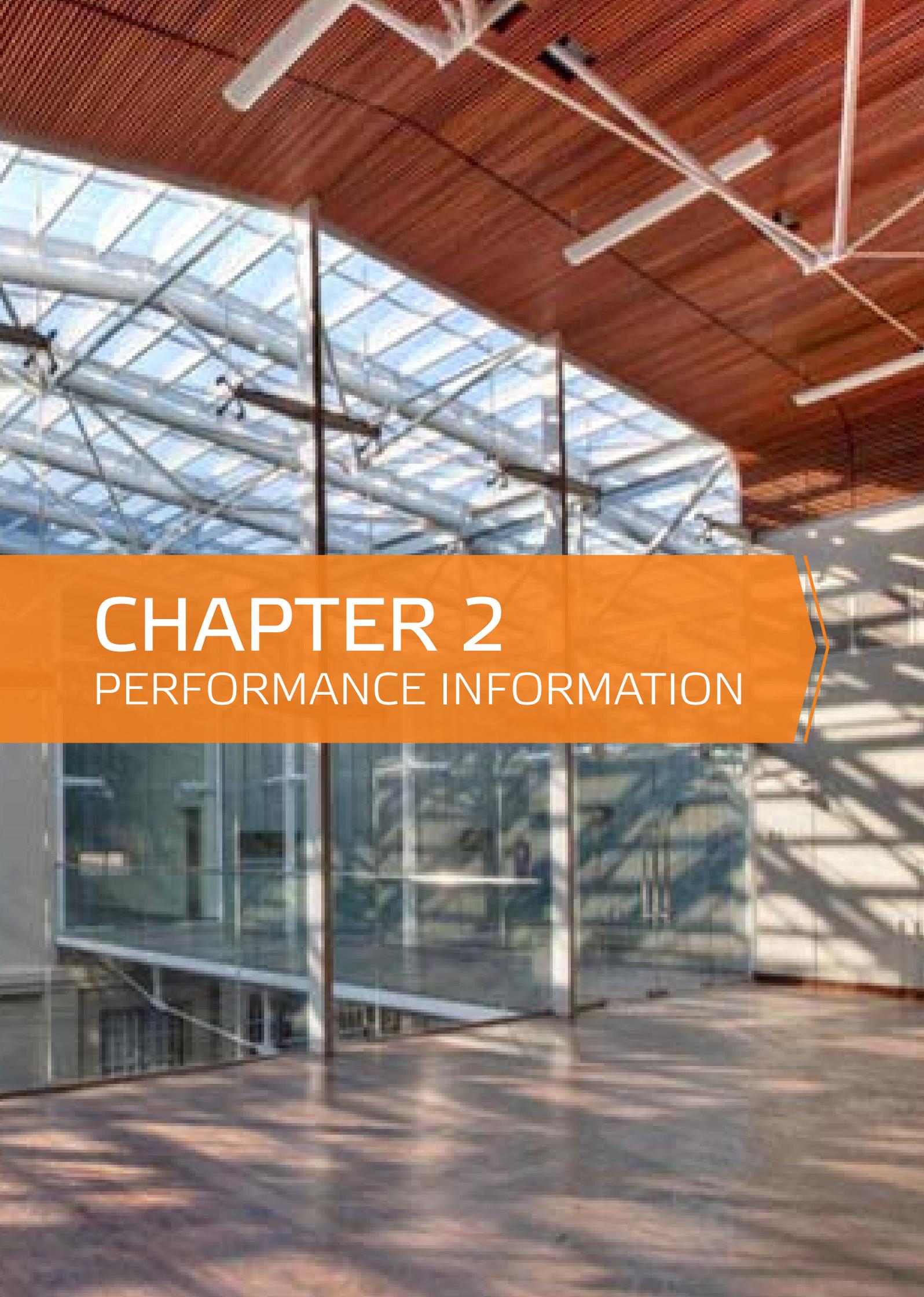
The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year that ended 31 March 2016.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mziwonke Dlabantu', enclosed within a large, loopy circular scribble.

Accounting Officer  
Mr. Mziwonke Dlabantu

The image shows a large, modern interior space, likely a atrium or a multi-level building. The ceiling is a prominent feature, made of dark wood panels with recessed lighting fixtures. Below the ceiling, a complex network of white structural beams supports a large glass skylight that allows natural light to flood the space. The floor is a light-colored, textured material, possibly concrete or stone. In the background, there are glass railings and a view of other levels of the building. An orange banner with white text is overlaid on the middle of the image.

# CHAPTER 2

## PERFORMANCE INFORMATION

## 2.1 OVERVIEW OF DEPARTMENTAL PERFORMANCE

### Service Delivery

#### Organisational Environment

The Department is mandated to formulate legislative prescripts and policy in support of the delivery of sound immovable asset management, management of state accommodation and real estate services. Further, in the process of fulfilling its mandate, The Department is required to contribute to the creation of work opportunities as part of national outcome 4 on decent employment through inclusive economic growth. For the 2015/2016 period, the Department was split into two entities. The first is the Department's main vote with specific focus on the policy formulation, programme coordination and oversight of the concurrent mandate. The second entity is the PMTE that focuses on construction management, property management and facilities management. The split enforces a cabinet decision taken in 2006 to establish a trading entity that will manage the State's portfolio of assets. The split saw the appointment of the head of PMTE to spearhead its strategic objectives to optimise the State's immovable asset portfolio through innovative and best practice approaches and ensure competent, proficient and sustainable service delivery. While the PMTE is in its infant stages of operations, the gains of the period under review reflect an entity that seeks to reclaim the mandate of the Department. These include, inter alia, strides in efficient turnaround times for construction projects, management of leases, the development of precincts for various economic activities and provision of state accommodation and maintenance of facilities.

#### Service Delivery Improvement Plan (SDIP)

The Department developed a SDIP for the medium term. The Department also commenced working towards implementation of the Service Delivery Operations or Management Framework developed by the DPSA. The framework establishes the capacity for planning, developing, implementation and institutionalisation of service delivery tools, systems, processes, mechanisms and intervention programs that are meant to improve and institutionalise quality service delivery to all. In the period under the review, the Department identified one area of focus to improve the services, which is construction project management. To date, a service delivery framework was completed for the improvement of construction project management.

- **Organisational Environment**

The year under review was marked by a number of critical interventions that sought to enhance and strengthen the human resources planning and management support to the core business of the Department. These interventions were necessary because as a Department we continue to face scarcity of critical and technical professional skills in the built environment, such as skills for real estate management, water treatment, etc. The Department adopted an HR plan that assisted in sourcing scarce and critical skills for the core business. As a result, appointments were made as follows: 104 water treatment professionals, two specialist directors, 31 technical professionals in various fields and 12 in asset investment. There were also various key appointments in property and facilities management: 32 water process controllers, six green building and energy specialists, 29 in lease review, etc.

The HR plan also made provisions for the implementation of the retired professionals programme to provide the necessary mentorship and coaching capacity for the skills programmes whilst also closing the skills gaps in the professional and technical skills areas. Fourteen (14) retired engineers in different engineering fields were consequently recruited. The Department also took the decent work agenda seriously with the introduction of in-sourcing for some of the support functions. A phased approach was taken with the in-sourcing strategy for the security management services implemented for Head Office with a total of 79 new appointments. The rolling out of the in-sourcing strategy will culminate in the recruitment of security officers for selected regional offices within the constraints of the budget.

Some of the HR challenges that have to be addressed in the Department's HR plans include skills blockages such as:

- OSD requirements;
- Competition with the private sector for the same skills;
- The constraints of public service remuneration packages;
- High vacancy rates;
- Budget cuts and constraints;
- Appointments additional to the establishment; and
- Appointments made outside the public service norms of six (6) months.

The in-house Young Professional Programme sought to grow our "own timber" by either recruiting learners from the schooling system, or placing them as part of workplace mentorship programmes and/or at tertiary institutions in core skills required by the Department. 90 young professional graduates, 290 water treatment graduates, 133 artisan trainees and 189 technical learners were inducted as part of the in-house training programme to meet the internal demand for scarce and critical skills. The intervention consists of various measures like bursaries (169 bursars), mentorship and workplace training programmes (65 candidates in various technical fields). The Persal system was cleaned of all posts that have not been filled in the past three (3) years.

The transformational agenda and the management of diversity require urgent attention. The involvement of labour stakeholders and setting and achieving equity benchmarks are areas that need to be strengthened going forward. Meeting the disability and gender targets remains an elusive target. The Department revised its recruitment plan to respond to the equity challenges, especially the decline in appointment statistics for female senior management services (SMS) members.

The change management strategy will focus on the matching and placement of the required critical skills as one side of the coin. The other side of the coin will be to address the resultant and identified skills mismatch and personnel who may have skills that are in excess to what the Department requires. The change management strategy is supported with a solid human resources development (HRD) plan that focuses on re-skilling and further study. All these plans will be implemented during the 2016/2017 financial year, as part of the rollout of the revised organisational structure.

- **Information Communications Technology**
- **ICT Master Systems Architecture**

The Department's Architecture approved in 2014 is currently under review for adjustment in terms of the changes in the PMTE and new requirements. The process is underway with SITA as the services provider, with a target for completion in the 1st quarter of 2017. As it is a state preferred entity, the Department is obligated to first source the skills and intervention required from SITA. Their brief includes the development of a new vision, strategy and tactical plan, as well as the enabling resource plan requirements to support the application, technology, data and security domains for the PMTE. The project started at the beginning of 2016 but there are resource constraints within SITA.

- **Enterprise Resource System (Financial Systems)**

The Sage application system support and implementation of phase 1 being fast-tracked with the bulk of the application issues list being resolved and the expectation that phase 1a of the implementation will be completed by September 2016. The feasibility of further upgrading the Sage software to a web-centric platform is being investigated. The implementation of phase 1b which is the solution for interfacing with Archibus for the full lease in and out with payments is underway. There are challenges to maintain resources within Sage. There is also the issue that the service provider is the only source of knowledge of the system. This poses the risk of having one resource only that can support the Sage application at an advanced level. To mitigate this risk, there are ongoing open tenders to source resources for the licensing of the application and system support, both locally and internationally.

- **Enterprise Resource System Property Management**

The interim Archibus system is being implemented with the assets module as a core priority module. This will allow for the termination of the legacy PMIS system. The capital budgeting and lease blueprints are completed and awaiting sign-off by the business units. The facilities management module is now entering joint application development with the focus on worx4u incident management and control followed by scheduled and unscheduled maintenance. Key aspects are the quality of the data against existing PMIS transactions which need to be matched for assets and leases and the related transactions. This caused a delay as data integrity is key for migration to the new asset module and transaction processing interfacing into Sage. Data interventions to optimise the data between the business units are underway.

- **Unified Communications**

The asset visibility project is gaining traction with the CGO building being prototyped for best practice using Vodacom as the services provider. Project planning which started during the 2015/2016 financial year is nearing completion in June 2017. We will start to pilot the implementation of energy efficient measures through the Archibus ERP including initiatives such as proactive monitoring of lifts, heating and ventilation (HVAC). The pilot programme will run at the Worx4U National Customer Operations Centre with monitoring, evaluation and verification over a period of 180 days in the 2016/2017 financial year.

- **Business Continuity and Disaster Recovery Centre and Operations**

The current workspace computing office applications are now being backed up and replicated to the DPW data centre housed at SITA and the PMTE Fennell Street data centre. These services are backed up daily and replicated at SITA for some regions and to Fennell Street for others. This is a temporary measure while the new Fennell Street site is being refurbished. SITA applications such as Sage and Archibus that are on the PMTE data servers are being backed up. IE Works are temporarily stored at the Fennell Street data centre and housed in the Vodacom Data Centre. To ensure continuity of services and redundancy, the Worx4U contact centre operates 24x365 with its primary site at the CGO and its secondary site at Johannesburg Region. Split agents are also available for relocation at each site 24x365 days. Delays were experienced in the revitalisation of the new BCP centre due to rigid processes. Once the centre is refurbished, the data centre of the PMTE will be housed at Fennell Street with a secondary site at CGO and SITA as a third. Triangulation of redundancy and resiliency will be done using the wireless, fibre and satellite services of Vodacom and SITA. The turnaround also resulted in a draft DRP and BCP policy and process being developed which will be sent for approval in the 2nd quarter of 2016. This will be further enhanced upon completion of the SITA architecture processes and protocols for delivery to the Fennell Street site, as soon as the refurbishment is completed.

## **PART A: DEPARTMENT OF PUBLIC WORKS**

### **2.2 PERFORMANCE INFORMATION OF THE DEPARTMENT OF PUBLIC WORKS**

#### **Vision**

A service-oriented Public Works Department focusing on the formulation of legislative prescripts and policy to support the delivery of sound immovable asset management while contributing to the national agenda for social and economic development.

#### **Mission**

To drive a professional, innovative and integrated Public Works Department by:

- Setting legislative and policy prescripts together with norms and standards for the management of state-owned and leased-in accommodation, land and infrastructure for the Public Works sector;
- Supporting provinces to fulfil the concurrent functions and service delivery obligations in the Public Works sector;

- Contributing to the national goals of job creation and poverty alleviation through the coordination of the Expanded Public Works Programme (EPWP);
- Providing guidance to our stakeholders to facilitate delivery in the built-environment within the context of Department’s mandate; and
- Affording strategic leadership to the South African construction and property industries.

## Values

The core values of the Department of Public Works are underpinned by the Batho Pele principles, and are augmented by the following values:

- Integrity: by consistently honouring our commitments, upholding ethical, honest behaviour and transparent communication;
- Professionalism: by treating our stakeholders with respect and reliably delivering against expectations;
- Teamwork: by respecting diversity while sharing a common purpose and working together in cooperation with each other; and
- Innovation: by tirelessly seeking opportunities for service delivery improvement by thinking freely and not bound by old, non-functional, or limiting structures, rules, or practices.

## Strategic outcome-orientated goals

### Goals linked to service delivery

In order to execute its mandate competently, the DPW identified five strategic outcome-orientated goals that define its direct service delivery responsibilities. These goals are:

- Sound legislative and policy prescripts to accelerate service delivery;
- Oversight, leadership and support to Provincial Public Works;
- Coordination of the EPWP for the creation of decent employment through inclusive economic growth;
- Strategic leadership and regulation of the construction and property sectors to stimulate economic empowerment and skills development; and
- Good corporate governance to support proficient service delivery.

The Strategic Goals together with the goal statements, justification and links to other outcomes and the NDP, follow in the tables hereunder.

**Table 2.1: Strategic Outcome Oriented Goal 1**

<b>Strategic goal 1</b>	Sound legislative and policy prescripts to accelerate service delivery
<b>Goal statement</b>	To improve efficiencies in service delivery through the development of the Public Works Act, Guidelines for the Custodian and Asset Management Plans, 7 Policy Frameworks for Prestige and other legislative and policy prescripts by 2020.
<b>Justification</b>	The Department is responsible for ensuring uniformity in the planning and execution of Public Works’ functions by determining the regulatory environment, formulating policy, setting minimum norms and standards, providing leadership and monitoring and evaluating of the sector.
<b>Links</b>	Outcome 12 highlights the need to improve coordination between departments and other organs of State for greater policy coherence and more effective implementation. Greater policy coherence will also be promoted through steps to institutionalise long-term planning.

**Table 2.2: Strategic outcome-oriented goal 2**

<b>Strategic goal 2</b>	Oversight, leadership and support to Provincial Public Works
<b>Goal statement</b>	Leadership, capacity support and consultation with Provincial Public Works Departments through the IDMS, IAR, GIAMA and Property Management, Finance and Monitoring and Evaluation Task Teams to ensure the coordinated and integrated implementation of national policies and programmes at national and provincial level.
<b>Justification</b>	Provinces are mainly responsible for implementation, in accordance with the nationally determined policy and implementation guidelines. To ensure efficient delivery of concurrent functions, there must be proper coordination of policy, budgeting, planning, implementation and reporting within the Public Works sector.
<b>Links</b>	In accordance with Schedule 4, Part 4, of the Constitution: Functional Areas of Concurrent National and Provincial Legislative Competence, all spheres of Government and organs of State must collaboratively work together to fulfil the legislative requirements for the effective, efficient, transparent, accountable and coherent delivery of services. <sup>2</sup>

**Table 2.3: Strategic outcome-oriented goal 3**

<b>Strategic goal 3</b>	Coordination of the EPWP Phase III for the creation of decent employment through inclusive economic growth.
<b>Goal statement</b>	Lead and coordinate the creation of six million work opportunities by 2019 through labour intensive delivery methodologies and skills programmes for the participation of the unemployed and unskilled in delivering identified services and the creation of assets.
<b>Justification</b>	The Department is responsible for the overall coordination of the EPWP that is directed at providing work opportunities and income support to poor and unemployed people through the labour intensive delivery of public and community assets and services.
<b>Links</b>	Alignment with Government’s strategic interventions to deal with the challenges of unemployment, poverty, inequality and creating a more inclusive society as outlined in outcome 4.

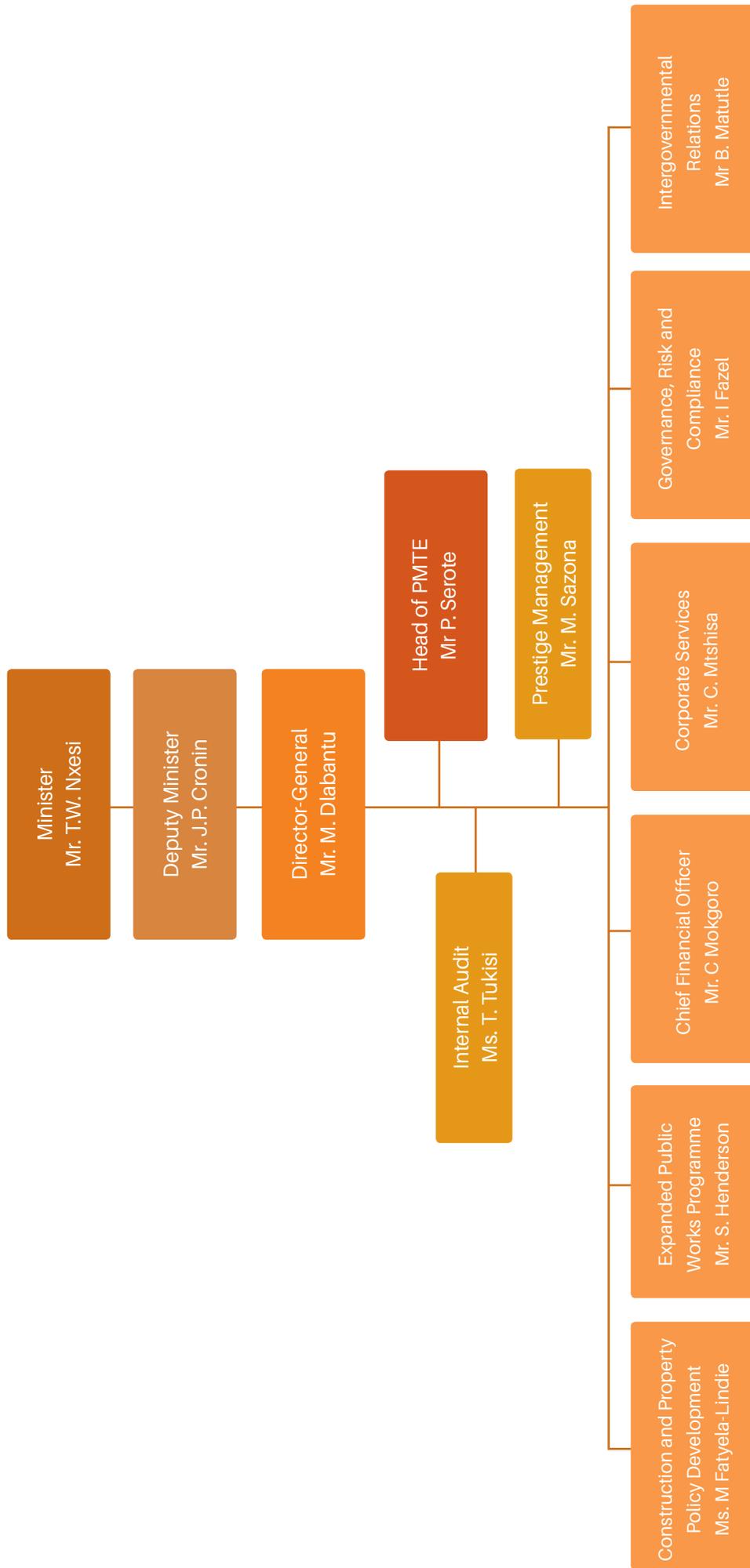
**Table 2.4: Strategic outcome orientated goal 4**

<b>Strategic goal 4</b>	Strategic leadership and regulation of the construction and property sectors to promote economic empowerment and skills development.
<b>Goal statement</b>	Provide leadership to the South African construction and property sectors whilst ensuring transformation and regulation thereof through the development of the Public Works Act, the amendment of the State Land Disposal Act, and the Property Management Empowerment Policy.
<b>Justification</b>	The Department is responsible for regulating and promoting growth and transformation in the property and construction sectors.
<b>Links</b>	Through the development of legislation and best practices, the Department contributes to Government-wide goals of transformation and skills development (outcome 5).

**Table 2.5: Strategic outcome orientated goal 5**

<b>Strategic goal 5</b>	Good corporate governance to support effective and efficient service delivery.
<b>Goal statement</b>	Drive the efficiency enhancement phase (phase II) of the turnaround strategy of the DPW and the PMTE to achieve full stabilisation and improve efficiencies for rebuilding the Department by 2020.
<b>Justification</b>	The turnaround strategy and its implementation is a prerequisite for the strategic performance of the Department and the PMTE. The strategy is based on the need to address critical and foundational aspects of service delivery and to ensure immediate improvements that can be used to elicit further success.
<b>Links</b>	Prioritising the objectives set out in the NDP, including, well-run and effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of consistently delivering high-quality services.

High level organisational structure of the Department  
 Figure 2.1 Organisational Structure



## Legislative and other mandates

The Department's roles and responsibilities are determined by a range of legislative and other mandates, as described hereunder.

### · **Constitutional mandate**

The Constitutional mandate for the Department is provided in Schedule 4, Part 4, of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) [Constitution] which makes reference to "Functional Areas of Concurrent National and Provincial Legislative Competence." In executing its mandate, the Department also has to observe the principles of good corporate governance and intergovernmental relations, as provided for in Section 41 of the Constitution.

### · **Legislative mandates**

The legislative mandates of the Department are underpinned by the following Acts:

- i. The Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007), aims to ensure competent immovable asset management in National and Provincial Government in order to improve service delivery;
- ii. The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000), provides for the establishment of the Construction Industry Development Board (cidb), for the implementation of an integrated strategy for the reconstruction, growth and development of the construction industry and other matters connected thereto;
- iii. The Council for the Built Environment Act, 2000 (Act No. 43 of 2000) makes provision for the establishment of a juristic person known as the Council for the Built Environment, the composition, functions, powers, assets, rights, duties and financing of that Council and for matters connected thereto;
- iv. The Professional Council Acts regulate the six Built Environment Professions (BEPs) to organise the built environment professions to serve the imperatives of Government, including transformation, public protection, good governance, etc.;
- v. The Public Finance Management Act, 1999 (Act No. 1 of 1999) promotes the objective of good financial management to maximise service delivery through the proficient use of the limited resources; and
- vi. Other Acts listed in Annexure A.

### · **Policy Mandates**

The Department's policy mandates are derived from the following:

- o DPW White Paper: Public Works, Towards the 21st Century (1997) [White Paper (1997)]

The White Paper (1997) documented the challenges facing the Department and continues to serve as an overarching policy framework for the Department's restructuring process. This led to directing the Department to meet Government's socio-economic objectives by becoming a client-orientated organisation which focuses on policy and service reform; property investment, property and facilities management and the implementation of the National Public Works Programmes.

- o DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999 [White Paper (1999)]

The White Paper (1999), sets out Government's policy objectives for the construction industry and focuses on the need to enhance delivery, achieve greater stability, improve industry performance, create value for money and facilitates growth of the emerging construction sector.

- o Construction Sector Transformation Charter, 2006 (Charter 2006):

The Charter 2006, inter alia, aims to:

- Provide the construction sector with the first quantitative method of monitoring and evaluating the progress of an enterprise towards achieving Broad-Based Black Economic Empowerment targets and thereby contributing to ending the malpractice of fronting;
- Expand the employment potential and absorption capacity of the sector by using labour-intensive approaches where, economically feasible and possible; and
- Address skills development in a manner that accelerates the advancement of black people, women and designated groups with particular emphasis on learnerships, as well as technical and management training.
- Property Sector Transformation Charter, 2007 (Charter 2007)

The Charter 2007 aims to promote the objectives contained in Section 2 of the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) [BBBEE Act] as these relate to the Property Sector and, in particular but without limitation, inter alia, to:

- o Promote economic transformation in the property sector to enable meaningful participation of black people and women;
- o Unlock obstacles to property ownership and participation in the property market by black people;
- o Promote property development and investment in under-resourced areas which enhances basic infrastructure, encourages investment and supports micro and small enterprises; and
- o Facilitate the accessibility of finance for property ownership and property development.
- DPW Broad-based Black Economic Empowerment Strategy, 2006 (DPW BBBEES 2006)
  - o This strategy guides the Department to give effect to the BBBEE Act by addressing enterprise development, preferential procurement, skills development and employment equity.
- Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007 (PMS BBBEE 2007):
 

The objective of the PMS BBBEE 2007 is to:

  - o Address skewed property and equity ownership in the property industry in the country; and
  - o Promote black participation in the property industry through management, control and procurement.
- Green Building Framework, 2001.

This Framework outlines the Department's commitments to address key elements in the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP) by promoting sustainable development, reducing greenhouse gas emissions, promoting energy efficiency, stimulating new green industries, etc.

## 2.2.1 Programme Performance

The Department has five programmes namely:

- i. **Programme 1: Administration**  
**Sub-Programmes:**
  - Ministry;
  - Management (Office of the Director-General, Internal Audit, Fraud Awareness and investigations within Governance, Risk and Compliance);
  - Corporate Services;
  - Finance and Supply Chain Management; and
  - Office Accommodation.

- ii. **Programme 2: Intergovernmental Coordination**  
**Sub-Programmes:**
  - Monitoring, evaluation and reporting (including Governance, Risk and Compliance); and
  - Intergovernmental relations and coordination.
  
- iii. **Programme 3: Expanded Public Works Programme**  
**Sub-Programmes:**
  - Expanded Public Works Programme Monitoring and Evaluation;
  - Expanded Public Works Programme Infrastructure;
  - Expanded Public Works Programme Operations; and
  - Expanded Public Works Programme Partnership Support.
  
- iv. **Programme 4: Property and Construction Industry Policy Regulation**  
**Sub-Programmes:**
  - Construction Industry Development Programme ;
  - Property Industry Development Programme;
  - Sector Research and Analysis;
  - Construction Industry Development Board (the cidb);
  - Council for the Built Environment (CBE);
  - Independent Development Trust (IDT);
  - Agrément South Africa (ASA);
  - Construction Education Training Authority (CETA);
  - Assistance to Organisations for Preservation of National Memorials; and
  - Augmentation of the PMTE.
  
- v. **Programme 5: Prestige Policy**  
**Sub-Programmes:**
  - Prestige accommodation and State functions; and
  - Parliamentary Villages Management Board.

Programme1: Management					
Sub-Programme: Fraud and Awareness					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of investigations initiated within 30 days of reported allegations	100% (39 allegations reported in the register) investigations initiated within 30 days	100% of investigations initiated within 30 days of reported allegations	100% Investigations initiated within 30 days of reported allegations	Target Achieved	-
Percentage change of fraud and corruption risk levels	-	50% reduction in fraud and corruption risk levels in 4th Quarter	38% Reduction in fraud and corruption risk achieved	Target Not Achieved	The implementation was still in progress Continued monitoring of implementation of actions plans

**Programme 1: Administration**

**Sub-Programme: Finance & Supply Chain Management**

**Strategic Objective: To ensure sound financial resource management through compliant and responsive financial management practices to maintain an unqualified audit outcome**

Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage change in Rand value of irregular expenditure baseline	10% (3,5 billion) reduction of irregular expenditure baseline for DPW & PMTE (Revised to 35 billion)	30% reduction of irregular expenditure baseline)	44% reduction of irregular expenditure baseline	Target Achieved	-
Percentage of compliant invoices settled within 30 working days	DPW - 89 % compliant invoices settled within 30 working days	100 % compliant invoices settled within 30 working days	75% compliant invoices settled within 30 working days	Target Not Achieved	Significant downtime of the transversal system during last quarter that affected timeous processing of payments
Percentage of bids awarded within legislated timeframes (Excluding Built Environment)	-	50% bids awarded within 56 working days of closure of tender advertisement	78% bids awarded within 56 working days of closure of tender advertisement	Target Achieved	-
Percentage of Procurement cost of goods & services (Excluding Built Environment)	-	140% procurement cost (market price with preferential premium) of goods and services purchased	101% procurement cost (market price with preferential premium) of goods and services purchased	Target Achieved	The total cost of procurement was targeted at Market Price plus 40% variance. The Department managed to achieve Market Price plus 1% due to various measures put in place to reduce the cost of procurement for goods and services.
Percentage of contracts executed within allowable variation as legislated by National Treasury (excluding built environment)	-	100% of contracts executed within the 10% average variation	100% of contracts executed within the 10% average variation	Target Achieved	-

Programme 1 : Administration					
Sub-Programme Corporate Services					
Strategic Objective: To provide strategic corporate services to PMTE and DPW through the implementation of corporate services plans					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Implementation of the approved Human Resource Plan (HR) for DPW and PMTE	Implementation Plan and Recruitment Plan have been approved in this financial year	1. Organisational Structure for PMTE & DPW approved 2. Migration of staff to PMTE structure.	Organisational structures for DPW & PMTE were approved & submitted to DPSA.	Target Achieved on Organisational structure Target Not Achieved on migration of staff	Received response from DPSA with comments and the Department is currently addressing. Migration of staff is pending approval of the PMTE structure
Percentage of funded prioritised vacancies filled as per approved Recruitment Plan within the Human Resource plan	318 positions advertised, 302 positions filled	100% funded prioritised vacancies filled within 4 months from the date of advertisement as per approved Recruitment Plan	100% funded prioritised vacancies filled - 603 appointments made, 107 promotions	Target Achieved	-
Number of beneficiaries participating in DPW skills development programme	1 075 beneficiaries participating in the DPW skills development programme 189 Young Professionals 582 Interns 249 Learnerships 55 Management Trainees 200 Artisans Trainee	1 067 beneficiaries participating in the DPW skills development programme 198 Young Professionals 463 Interns 177 Learnerships 29 Management Trainees 200 Artisans Trainee	1 294 Beneficiaries participating in the DPW Skills Development -90 Young Professionals -700 Interns -319 Learnerships -52 Management Trainees - 133 Programme Artisans	Target Achieved	There was a huge demand for internship programmes by various business units.
Reengineered ICT infrastructure for DPW and PMTE	Upgrade of application servers to enhance performance of business office automation applications. Business enablement of iE Works applications	Multi-tier hardware infrastructure upgraded.	Completed Multi-tier hardware infrastructure upgrade	Target Achieved	-
Business applications implemented within DPW and PMTE	-	Electronic Procurement Management System Installed Worx4u mobile app installed	Completed Electronic Procurement System installation Completed Worx4u mobile App development	Target Achieved Target Achieved	- -

Programme 1 : Administration					
Sub-Programme Corporate Services					
Strategic Objective: To provide strategic corporate services to PMTE and DPW through the implementation of corporate services plans					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of Default Judgements against the Department prevented	-	100% of default judgements against the Department prevented	100% of default judgements against the Department prevented	Target Achieved	-
Percentage of reported fraud and corruption misconduct cases subjected to disciplinary processes	-	100% of reported fraud and corruption misconduct cases subjected to disciplinary processes	100% (7 of 7) of reported cases of fraud and corruption cases subjected to disciplinary processes . 4 finalised . 3 pending finalisation of disciplinary hearings	Target Achieved	-

Programme 2: Inter-Governmental Coordination					
Sub-Programme: Inter-Governmental Coordination					
Strategic Objective 1: To pursue common service delivery objectives within the public works sector through the coordinated implementation of programmes at national and provincial level					
Strategic Objective2: To ensure compliance to management practices through the MPAT improvement plan					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of IGR forums convened for the oversight of the Public Works Sector	103 Consultative meetings and programmes facilitated with spheres of government	12 Intergovernmental Forums convened	14 Intergovernmental Forums convened	Target Achieved	There were additional 2 adhoc meetings held during the year.
Development of public works sector diagnostic report	-	Diagnostic report developed on the 2014/15 sector performance	Diagnostic Report on the 2014/15 sector performance developed	Target Achieved	-
Completed service delivery framework for identified services	-	Service delivery framework completed for 1 identified service (Construction)	Service delivery framework completed for 1 identified service (Construction)	Target Achieved	-
Change in the average score of management practices through the MPAT improvement plan	-	Average score of 2.7 for Management practices (detailed MPAT report)	Average score of 2.9 (measured by an index score) for Management practices	Target Achieved	Improved MPAT implementation processes and governance structures.

Programme 3: Expanded Public Works Programmes					
Sub-Programmes:					
Strategic Objective: To Co-ordinate, monitor and evaluate the implementation of EPWP Phase III that aims to create 6 million work opportunities and provide income support to the poor, lowly skilled and unemployed between 2014 - 2019					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of work opportunities reported	1 103 983 of work opportunities created through EPWP Phase 3	1 127 186 work opportunities reported through EPWP Phase 3	741 540 work opportunities created through the EPWP Phase 3.	Target Not Achieved 385 646 work opportunities	Public bodies were unable to report on the work opportunities created timeously. Therefore not all projects implemented by public bodies in the 2015/16 financial year were reported. Targeted assistance will be provided to reporting bodies to assist them with data capturing, quality of data and POEs as per the Special Ministerial Determination.
Number of work opportunities created in rural municipalities aligned to the EPWP business plan	780 033 work opportunities created in rural municipalities	700 000 Work opportunities created in rural municipalities.	695 203 work opportunities created in rural municipalities.	Target Not Achieved 4 797 work opportunities	Public bodies were unable to report on the work opportunities created timeously. Therefore not all projects implemented by public bodies in the 2015/16 financial year were reported. Targeted assistance will be provided to reporting bodies to assist them with data capturing, quality of data and POEs as per the Special Ministerial Determination.

**Programme 3: Expanded Public Works Programmes**

**Sub-Programmes:**

**Strategic Objective: To Co-ordinate, monitor and evaluate the implementation of EPWP Phase III that aims to create 6 million work opportunities and provide income support to the poor, lowly skilled and unemployed between 2014 - 2019**

Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of EPWP participation among designated groups (women, youth and persons with disabilities) aligned to the EPWP Phase III Business Plan	-	55% Women 55% Youth 2% PWD	68.5% (508 459) Women 45.9% (340 854) Youth 1.68% (12 501) PWD	Target Achieved for Women. Target Not Achieved for Youth and PWD.	Public bodies were unable to report on the work opportunities created timeously. Therefore not all projects implemented by public bodies in the 2015/16 financial year were reported.
Percentage of disbursed performance-based incentive allocations to eligible public bodies across all sectors	100% of incentive allocations disbursed to eligible public bodies across all sectors	95% of performance based incentive allocations disbursed to eligible Public Bodies across all sectors	100% of performance based incentive allocations disbursed to eligible Public Bodies across all sectors	Target Achieved	Through the structures of the PEP-IMC all reporting bodies to be implemented to prioritise youth specific programmes, as well as participation of PWDs.
Number of municipalities provided with technical support	-	278 municipalities provided with technical support reporting on EPWP targets	278 municipalities provided with technical support reporting on EPWP targets	Target Achieved	-
Number of Public bodies submitting signed off data reports	-	13 Public bodies submitted signed off data reports	353 Public bodies submitted signed off data reports	Target Achieved	The improvement is due to the sign-off being done directly in the system by the validated public bodies when they do reports

Programme 4: Property and Construction Industry Policy and Research					
Sub-Programme: Property and Construction Industry Policy and Research					
Strategic Objective 1: To regulate and transform the Construction and Property industries					
Strategic Objective 2: Promote sound immovable asset management in the public sector					
	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Draft Public Works White Paper developed	Draft 1 of revised White Papers on: (1) Public Works function; and (2) Construction Industry not yet developed	Draft Public Works White Paper gazetted for public comments	The Draft DPW White Paper has not been developed nor gazetted for public comments.	Targets Not Achieved	Unsuccessful procurement processes to source an appropriate service provider has delayed the White Paper process.
Developed business case to establish Independent Development Trust (IDT) as an institution of Government	Revised draft IDT Bill not developed.	Business case to establish IDT as an institution of Government submitted to Cabinet for endorsement	Developed IDT Business Case but not yet submitted to Cabinet for endorsement.	Targets Not Achieved	It has been resolved in the Department that the IDT should be re-established as a PFMA Schedule 3A Public Entity.  Awaiting inputs on the Draft IDT Business Case from National Treasury
Assessment of contractor development programme	-	Bi-annual contractor development implementation reports submitted to Minister for consideration	Draft Contractor Development Implementation Report developed but not yet submitted to Minister for consideration.	Targets Not Achieved	The finalisation of the report was pending the outcomes of the National Stakeholder Forum (NSF) held on 29 March 2016. The report could not be submitted to the Minister due to the delays in cooperating NSF proceedings
Approved DPW Property Management Empowerment Policy	-	Final draft DPW Property Management Empowerment Policy submitted to Minister for approval.	Final Draft of DPW Property Management Empowerment Policy developed but not yet submitted to Minister for approval	Targets Not Achieved	The Final Draft DPW Property Management Empowerment Policy has been submitted to the Property Sector Charter Council for input and incorporation of the aligned sector codes (which have not been approved by DTI) towards approval by the Minister

Programme 4: Property and Construction Industry Policy and Research					
Sub-Programme: Property and Construction Industry Policy and Research					
Strategic Objective 1: To regulate and transform the Construction and Property industries					
Strategic Objective 2: Promote sound immovable asset management in the public sector					
	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Developed Draft Bill to manage the disposal of immovable assets under the custodianship of the Department	-	Draft 1 of Bill to amend the State Land Disposal Act, 1961 submitted to Minister for approval to submit to OCSLA for initial scrutiny	Draft 1 Bill to amend State Land Disposal Act not developed.  Awaiting DRDLR's response to DPW's discussion document, in order to proceed with review of legislation.	Targets Not Achieved	The process to review the State Land Disposal Act has stalled due to non-participation by DRDLR
Developed Draft Bill to repeal or amend legislation administered by the Department that is inconsistent with the Constitution or obsolete	-	Public Works General Laws Amendment and Repeal Bill submitted to Parliament	Submission of Cabinet Memorandum and Draft Public Works General Laws Amendment and Repeal Bill to Ministry	Targets Not Achieved	Delays in receiving comments from OCSLA
Reviewed GIAMA Best practice guidelines and standards to manage immovable assets	-	Revised Guidelines on User and Custodian Asset Management Plans submitted to Minister for approval	Revised Guidelines on User and Custodian Asset Management Plans tabled at the GITC and Provincial Departments of Public Works given final opportunity to propose amendments	Targets Not Achieved	The review process is taking longer than planned as a result of the complexity of the subject matter and divergent views amongst National and Provincial Custodians on the templates

Programme 5 : Prestige Policy					
Sub-Programme: Prestige Policy					
Strategic Objective 1: To develop, monitor and improve prestige policy frameworks annually.					
Strategic Objective 2: To provide movable assets (office and residential) and structures for State functions to Prestige clients					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Developed Prestige norms and standards	-	Norms and standards for category III clients approved by Parliament	Draft Prestige Norms and Standards for category iii clients developed and approved by Parliament.	Targets Not Achieved	Draft Norms and standards have not yet been approved by parliament due to the finalization of the costing of norms and standards These have since been submitted to Parliament.
	-	Prestige norms and standards adapted for Provincial Public Works	Final Draft Prestige norms and standards not adapted for Provincial Public Works	Targets Not Achieved	Only 4 Provinces have complied and information for 5 Provinces is still outstanding
Developed Prestige policy guidelines	-	• Policy guidelines on installation, management and maintenance of security infrastructure at National Key Points developed	Policy guidelines on installation, management and maintenance of security infrastructure at National Key Points developed	Targets Achieved	-
	-	• Policy guidelines on Implementation of Security Measures for Members of the Judiciary developed	Policy guidelines on implementation of security measures for members of the judiciary developed	Target Achieved	-
Signed Service Level Agreement(SLA)	-	SLA with Parliament and Presidency signed	Only SLA with Presidency was signed	Targets Not Achieved	SLA with Parliament not yet signed. Meeting scheduled for signing of the SLA with Parliament could not materialize on the 17 March 2016.

**Programme 5 : Prestige Policy**

**Sub-Programme: Prestige Policy**

**Strategic Objective 1: To develop, monitor and improve prestige policy frameworks annually.**

**Strategic Objective 2: To provide movable assets (office and residential) and structures for State functions to Prestige clients**

Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of Prestige events supported with movable structures	13 Prestige events supported with movable structures	15 Prestige events supported with movable structures	17 State events supported with movable infrastructures	Target Achieved	-
Turnaround time for the provision of movable assets to prestige clients	53 items delivered within 60 days in the year under review	Movable assets (office and residential) provided to Prestige clients within 60 days of receipt of request	39 requests received and 8 were delivered within 60 days	Targets Not Achieved	Process and steps to deliver movable assets are quite cumbersome to meet 60days set requirement.
Monitoring of Prestige infrastructure budget expenditure	-	4 quarterly infrastructure expenditure reports on Prestige completed	4 quarterly reports on infrastructure expenditure completed	Target Achieved	-

## PART B: PROPERTY MANAGEMENT TRADING ENTITY

### 2.3 PERFORMANCE INFORMATION OF THE PROPERTY MANAGEMENT TRADING ENTITY

#### Vision

The pre-eminent accommodation and real-estate management service provider for National Government.

#### Mission

To optimize the State's immovable asset portfolio through innovative and best practice approaches to ensure competent, proficient and sustainable service delivery by:

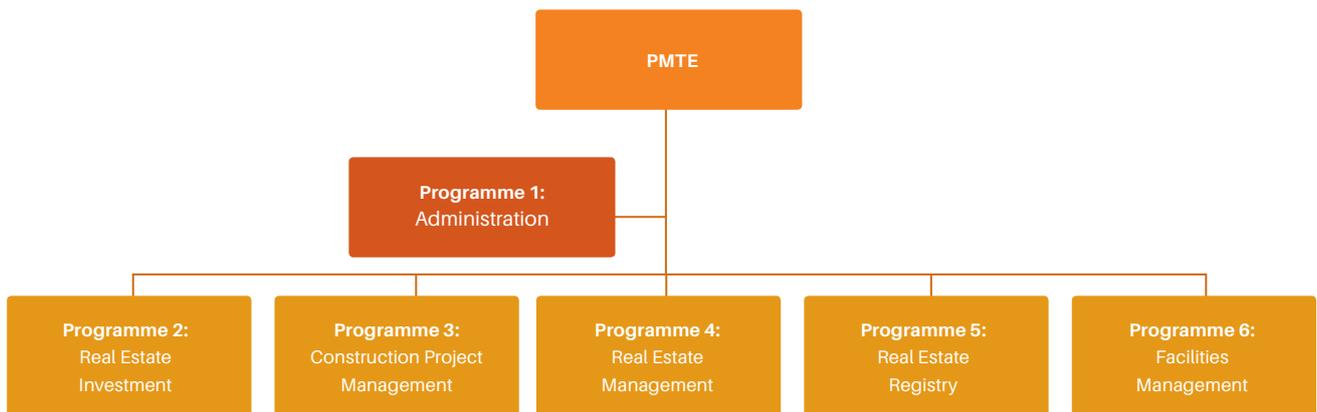
- Reducing the cost to Government on leased-in accommodation and maximising returns on leased-out accommodation;
- partnering the private sector for property financing and delivery options / strategies;
- streamlining the value chain business improvement policy approaches and strategic alignments; and
- utilising alternative energy solutions and green management technology for enhanced efficiency cost savings.

#### Values

The PMTE's core values are underpinned by the Batho Pele principles, and are augmented by the following values:

- Integrity: by consistently honouring our commitments, upholding ethical, honest behaviour and transparent communication;
- Professionalism: by treating our stakeholders with respect and reliably delivering against expectations;
- Teamwork: by respecting diversity while sharing a common purpose and working together in cooperation with each other; and
- Innovation: by tirelessly seeking opportunities for service delivery improvement by thinking freely and not bound by old, non-functional, or limiting structures, rules, or practices.

Figure 2.2 PMTE Organogram



### 2.3.1 Programme Performance

The PMTE's Programmes and Sub-Programmes are as follows:

#### **Programme 1: Administration**

Purpose: Provide leadership, strategic management, governance and administrative support to the Property Management Trading Entity (PMTE).

Sub-Programmes:

- 1.1 Management Leadership
- 1.2 Operations Support Management
- 1.3 Financial and Accounting Management
- 1.4 Supply Chain Management

#### **Programme 2: Real Estate Investment Management**

Purpose: To optimise utilization and maximise the value of the State Property Portfolio.

Sub-Programmes:

- 2.1 User Demand Management
- 2.2 Planning & Precinct Development Services
- 2.3 Property Performance Management
- 2.4 Investment Analysis

#### **Programme 3: Construction Project Management**

Purpose: To provide effective and efficient delivery of accommodation needs for DPW and Client Departments through construction.

Sub-Programmes:

- 3.1 Construction Project Planning
- 3.2 Construction Project Management

#### **Programme 4: Real Estate Management**

Purpose: To timeously provide and manage suitable accommodation in support of Client needs to meet their service delivery objectives

Sub-Programmes:

- 4.1 Management of Freehold Property
- 4.2 Land Administration & Management
- 4.3 Surplus Freehold (Revenue) Management
- 4.4 Leasehold Management

#### **Programme 5: Real Estate Information and Registry Services**

Purpose: To develop and manage a complete, accurate and compliant Immovable Asset Register to meet service delivery objectives for the State, Department and Property Management Trading Entity (PMTE) business requirements.

To provide leadership, guidance and support to National, Provincial and Local Government custodians of State assets to ensure use of applicable standards in accounting for immovable assets and management of IARs.

To develop, maintain and report on a consolidated National database of State properties

Sub-Programmes:

5.1 Asset Registry Services

5.2 Conveyancing

### **Programme 6: Facilities Management**

Purpose: To ensure that immovable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic environment while contributing to job creation, skills development and poverty alleviation.

Sub-Programmes:

6.1 Scheduled Maintenance

6.2 SHERQ Management

6.3 Unscheduled Maintenance Management

PMTE Programme 1: Management						
Sub-programme: Management and Operations Support Management						
Strategic Objective: To provide leadership, strategic management, governance and support						
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Annual Performance Plan developed and approved within the legislated time	Annual Performance Plan tabled on 12 March 2015	Approved 2016/2017 APP	Approved 2016/2017 APP	Target Achieved	-	
Approved Quarterly Performance Reports	4 Quarterly Reports on predetermined objectives completed in accordance with PFMA	Approved 4 Quarterly Performance Reports	4 Quarters of 2015/2016 approved	Target Achieved	-	
Approved annual Performance Report	-	Approved annual Performance Report	Annual Performance Report 2014/15 approved	Target Achieved	-	
Percentage of time network is available for business use	-	90%	99%	Target Achieved	-	
Percentage of ICT infrastructure available for business use	Disaster Recovery Site with ICT infrastructure developed for the Department	90%	99%	Target Achieved	-	
Percentage of ICT SLA commitments achieved (Business Application)	Upgrade of application servers to enhance performance of business office automation application. Business enablement of iE Works application completed	60%	100% of ICT SLA commitments achieved (Business Application on the call center)	Target Achieved	-	
Percentage of legal opinions and contracts formulated within 5 working days of request	100% of legal opinions within 10 working days of 160 referral of each request 100% of Contracts drafted, amended and commented within working days of referral of each matter	60%	100% (790 contracts and 123 legal opinion) of legal opinions and contracts formulated within 5 working days of request	Target Achieved	-	

PMTE Programme 1: Management					
Sub-programme: Management and Operations Support Management					
Strategic Objective: To provide leadership, strategic management, governance and support					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of reduction in vacancy rate	318 positions advertised, 302 positions filled	25% Reduction in vacancy rate	15.32% (Vacant = 1 098 and Filled = 6 070)	Target Achieved	-
Percentage of staff developed on specialised skills	1 075 beneficiaries participating in the DPW skills development programme 189 Young Professionals 582 Interns 249 Learnerships 55 Management Trainees 200 Artisans Trainee	50%	122% (1 294 of 1 067) 1 294 Beneficiaries participating in the DPW Skills Development -90 Young Professionals -700 Interns -319 Learnerships -52 Management Trainees -133 Programme Artisans	Target Achieved	There was a huge demand for internship programmes by various business units.

Programme 1: Administration						
Sub-Programme : Finance & Supply Chain Management						
Strategic Objective 1: To ensure effective and sound financial management						
Strategic Objective 2: To provide an efficient and effective Supply Chain Management Service						
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Percentage of invoices paid within 30 days of receipt	90% Compliant invoices settled within 30 days	100%	85% of invoices paid within 30 days of receipt	Target Not Achieved 15%	Register of invoices is not updated when invoices are rejected during the approval process.  Full implementation of the Accounts Payable module on SAGE will improve the tracking and ageing of outstanding invoices as well as paid invoices. Accountability measures to be implemented to ensure compliance	
Percentage change in the debtors balance (R1.8billion as at 1st April 2014)	92% reduction of balance to less than 120 days achieved	20% of R1.8billion	22% (R412m) YTD reduction of 1.8 billion debtors balance	Target Achieved	-	
Percentage recovery in the debtors current year balance	-	90% collection of invoices that are 60 days and older	90% (R 12,191b) collection of the R 13,621b	Target Achieved	-	
Estimate of National Expenditure (ENE) supporting documents (database and narrative) submitted within regulated timeframes to National Treasury	-	Estimates of National Expenditure (ENE) supporting documents (database and narrative) submitted within regulated timeframes to National Treasury	Estimates of National Expenditure (ENE) compiled, approved and submitted to National Treasury within the regulated timeframes	Target Achieved	-	

Programme 1: Administration					
Sub-Programme : Finance & Supply Chain Management					
Strategic Objective 1: To ensure effective and sound financial management					
Strategic Objective 2: To provide an efficient and effective Supply Chain Management Service					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of bids awarded within 56 working days of tender closure	51% compliant and relevant bids awarded within 90 days for construction projects No new private leases were put out for tender during the year	50% bids awarded within 56 working days of closure of tender	18% bids awarded within 56 working days of closure of tender	Target Not Achieved 32%	Inability of BEC to conclude evaluations on time cited as reasons for delays Establish and enforce rules of engagement for BECs Establish permanent/standing BECs to ensure speedy processing of tenders
110% (market related + 10% preferential premium) achieved in purchasing goods, services or works	-	140% procurement cost (market price with preferential premium) of goods and services purchased	97% procurement cost (market price with preferential premium) of goods and services purchased	Target Achieved	The Department managed to achieve Market Price less 3%
Average variation on all contracts executed	-	100% of contracts executed within the 10% average variation 15% Required by NT (can this be changed)	88%	Target Not Achieved 12%	Change in the scope as a result of unforeseen circumstances and contingencies Ensure accurate Specifications and enforce compliance thereto

Programme 2: Real Estate Investment Management						
Sub-Programmes: User Demand Management, Planning and Precinct Development & Investment Management, UAMPS) of user departments						
Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments						
Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation						
Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions						
Strategic Objective 4: To deploy land to meet National Strategic Priorities						
Strategic Objective 5: To contribute to advancement of social economic development and BBBEE						
Strategic Objective 6: To manage the performance of property for investment decisions						
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Number of completed UAMPS	The user departments UAMP template for 2016/17 could not be completed and submitted as User departments reviewing their strategic infrastructure requirements	42	42	Target Achieved	-	
Number of Service Level Agreements developed in line with new Service Delivery Standards (SDS)	Approved signed off SLAs not received from all User Departments awaiting legal opinion	51	27	Target Not Achieved 24	Certain clients requested for the updated SDS document before signature.  To obtain internal service level agreements from all Divisions that will inform the content of the SLA and SDS with User departments	
Percentage of user departments Framework Agreements concluded for use of freehold properties	-	80-100%	0%	Target Not Achieved	A draft framework agreement completed  In the process of engaging 9 User Departments to finalise verification of occupation	
Number of Precinct development proposals produced for Head Offices in Tshwane	10 Accommodation solutions produced (DHET, DCS, DSD, SASSA, DoJ, DAC, NT, DAFF, SAPS, DoC)	Two (2) Precinct Development Proposal Reports for Head Offices in Tshwane	Two Precinct Development Proposal reports completed: Northern Gateway and Southern Gateway	Target Achieved	-	

Programme 2: Real Estate Investment Management						
Sub-Programmes: User Demand Management, Planning and Precinct Development & Investment Management, (UAMPS) of user departments						
Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments						
Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation						
Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions						
Strategic Objective 4: To deploy land to meet National Strategic Priorities						
Strategic Objective 5: To contribute to advancement of social economic development and BBBEE						
Strategic Objective 6: To manage the performance of property for investment decisions						
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Number of Precinct development proposals produced for metros and district municipalities	Accommodation solutions produced for DPW & SAPS	Two (2) Precinct Development Proposal Reports – one (1) each for Mmabatho /Mahikeng & Mbombela	Two Precinct Development Proposal Reports completed One for Mmabatho & One for Mbombela	Target Achieved	-	
Number of Precinct development proposals produced for local/rural municipalities	5 DPW infrastructure Plans integrated <ul style="list-style-type: none"> <li>• Christiana</li> <li>• KwaMhlanga</li> <li>• Iduytwa</li> <li>• Vredeburg</li> <li>• Howick</li> </ul>	Two (2) Precinct Development Proposal Reports – one (1) each for Mandeni & Mount Fletcher	Two Precinct Development Proposal completed. One for Mandeni and one for Mount Fletcher	Target Achieved	-	
Percentage increase in the value of the immovable asset portfolio	-	2%	12%	Target Achieved	10% difference owing to valuation of immovable assets in compliance with the application of GRAP 17	
Percentage of preliminary investment decisions approved within 3 months from date of request	-	75%	100% preliminary investment decisions approved within 3 months from date of request (25 of 25 requests)	Target Achieved	Insourced Young Professionals improved capacity to deliver on investment decisions	
Percentage of investment solutions for construction approved within 24 months from date of request	-	75%	100 % of investment solutions for construction approved within 24 months from date of request (15 of 15 requests) 1 backlog investment solution approved	Target Achieved	Insourced Young Professionals improved capacity to deliver on investment decisions	

<b>Programme 2: Real Estate Investment Management</b>						
<b>Sub-Programmes: User Demand Management, Planning and Precinct Development &amp; Investment Management, (UAMPS) of user departments</b>						
<b>Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments</b>						
<b>Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation</b>						
<b>Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions</b>						
<b>Strategic Objective 4: To deploy land to meet National Strategic Priorities</b>						
<b>Strategic Objective 5: To contribute to advancement of social economic development and BBBEE</b>						
<b>Strategic Objective 6: To manage the performance of property for investment decisions</b>						
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>	
Percentage of investment solutions for refurbishments approved within 6 months from date of request	-	75%	100% of investment solutions for refurbishments approved within 6 months from date of request (12 of 12 requests) 3 backlog investment solution approved	Target Achieved	Insourced Young Professionals improved capacity to deliver on investment decisions	
Percentage of investment solutions for leasehold and surplus freehold approved within 1 month from date of request	-	75% of investment solutions for leasehold and surplus freehold approved within 1 month from date of request	100% of investment solutions for leasehold and surplus freehold approved within 1 month from date of request (45 of 45 requests) 59 backlog investment decisions approved	Target Achieved	Insourced Young Professionals improved capacity to deliver on investment decisions	
Number of initiatives for social and economic development approved within 12 months		2	2 initiatives for social and economic development approved	Target Achieved	-	

Programme 2: Real Estate Investment Management					
Sub-Programmes: User Demand Management, Planning and Precinct Development & Investment Management, (UAMPS) of user departments					
Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments					
Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation					
Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions					
Strategic Objective 4: To deploy land to meet National Strategic Priorities					
Strategic Objective 5: To contribute to advancement of social economic development and BBBEE					
Strategic Objective 6: To manage the performance of property for investment decisions					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of Disposal Certificates of approval issued within 6 months from date of request	-	80%	3% Disposal Certificates of approval issued within 6 months from date of request (1 of 34 requested land parcels)  Backlog disposal certificates approved for 26 land parcels	Target Not Achieved	33 land parcels were not fully processed owing to the extent of analysis and stakeholder engagement required:  15 land parcels In process of approval for disposal  18 land parcels in process of investigation for disposal Investigation and approval processes to be fast tracked for those land parcels that can be disposed
Number of vacant freehold properties identified for redevelopment by BBBEE developers	-	80-100	100 vacant freehold properties identified for redevelopment by BBBEE developers	Target Achieved	-

Programme 2: Real Estate Investment Management					
Sub-Programmes: User Demand Management, Planning and Precinct Development & Investment Management, (UAMPS) of user departments					
Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments					
Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation					
Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions					
Strategic Objective 4: To deploy land to meet National Strategic Priorities					
Strategic Objective 5: To contribute to advancement of social economic development and BBBEE					
Strategic Objective 6: To manage the performance of property for investment decisions					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Percentage of investment decisions approved to support Operation Phakisa projects (mar/aquaculture projects) within 3 months from date of request	-	60-80%	82% investment decisions approved to support Operation Phakisa projects (9 of 11 operation phakisa aquaculture related leases)  2 backlog aquaculture project investment decisions approved	Target achieved	-
Percentage of investment decisions approved on proclaimed fishing harbours infrastructure within 9 months from date of request	-	60-80%	100% of investment decisions (73 of 73) approved on proclaimed fishing harbours infrastructure relating to:  <ul style="list-style-type: none"> <li>• Dredging,</li> <li>• Removal of sunken vessels,</li> <li>• Repairs to slip ways,</li> <li>• Shore crane replacement,</li> <li>• Repairs to jetties,</li> <li>• Security installations and operations,</li> <li>• Infrastructure repairs</li> </ul>	Target Achieved	The establishment of an intergovernmental unit expedited decision making  Implementing agent appointed to execute the required works

<b>Programme 2: Real Estate Investment Management</b>						
<b>Sub-Programmes: User Demand Management, Planning and Precinct Development &amp; Investment Management, (UAMPS) of user departments</b>						
<b>Strategic Objective 1: To develop plans and strategies to meet service delivery accommodation requirements (UAMPS) of user departments</b>						
<b>Strategic Objective 2: To provide built environment planning services for investment decisions on state accommodation</b>						
<b>Strategic Objective 3: To ensure optimum utilization and increased value of state assets through sound investment decisions</b>						
<b>Strategic Objective 4: To deploy land to meet National Strategic Priorities</b>						
<b>Strategic Objective 5: To contribute to advancement of social economic development and BBBEE</b>						
<b>Strategic Objective 6: To manage the performance of property for investment decisions</b>						
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>	
Report on the performance of identified buildings against the mean for the year in the 9 listed performance areas	-	3 reports on the performance of identified buildings	3 Performance report on the performance of identified buildings	Target Achieved	-	
Reports on the performance freehold and leasehold buildings measured against industry standards	-	Reports on the performance	2 reports on the performance of 10 freehold and leasehold buildings measured against industry standards	Target Achieved	-	
<b>Programme 3: Construction Project Management</b>						
<b>Sub Programmes: Construction Project Planning, Construction Project Management and Special Projects</b>						
<b>Strategic Objective: To ensure delivery of new and refurbished buildings through construction project management</b>						
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>	
Number of work opportunities created through construction projects (EPWP and other)	-	15 000	11 126	Target Not Achieved	The system to collect and process information was fully implemented in the 3rd quarter	

**Programme 3: Construction Project Management**

**Sub Programmes: Construction Project Planning, Construction Project Management and Special Projects**

**Strategic Objective: To ensure delivery of new and refurbished buildings through construction project management**

Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of projects completed within agreed construction period	-	62	125	Target Achieved	-
Number of projects completed within approved budget	-	77	109	Target Achieved	-
Number of projects in the current WCS project list cleared	-	271	128	Target Not Achieved	Delays within the construction value chain and updating of the system are major contributing factors for backlog.  In the process of creating a dedicated capacity to clear projects and update the system
Percentage of construction contracts allocated towards BBBEE	-	35% (23 of 65) construction contracts allocated towards BBBEE	118% (77 of 65)	Target Achieved	Target over-achieved owing to continuous monitoring of performance and implementation of turnaround strategy
Number of schools completed within planned construction period	0 Schools constructed as prioritised by the Department of Basic Education	774	0	Target Not Achieved	Challenges experienced in getting approval of assessment reports and Bills of Quantity from DBE. Therefore the School Beautification Programme could not continue as DBE was expected to approve assessment report as well as funds

<b>Programme 3: Construction Project Management</b>					
<b>Sub Programmes: Construction Project Planning, Construction Project Management and Special Projects</b>					
<b>Strategic Objective: To ensure delivery of new and refurbished buildings through construction project management</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>
Number of Work Opportunities Created		3870	0	Target Not Achieved	As a result of non-approval of the reports and BoQs no recruitment of EPWP workers for School Beautification Programme was made. However, it has been noted that information reported in Q3 was erroneously reported as it belongs to the Bridges Programme
<b>Programme 4: Real Estate Management</b>					
<b>Sub Programmes: Management of Freehold Property, Land Administration and Management, Surplus Freehold (Revenue) Management and Leasehold Management</b>					
<b>Strategic Objective 1: To optimally utilize freehold property for User Departments and Government Strategic priorities</b>					
<b>Strategic Objective 2: To let out surplus freehold property for revenue</b>					
<b>Strategic Objective 3: To manage and procure leasehold property for user department needs</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>
Percentage occupancy rate increased for partially occupied property.	-	5% (National Target)	0%	Target Not Achieved	In the process of developing revised space norms. These will then be used to develop space utilization and the space optimization plans to give effect to partially occupied property.

Programme 4: Real Estate Management					
Sub Programmes: Management of Freehold Property, Land Administration and Management, Surplus Freehold (Revenue) Management and Leasehold Management					
Strategic Objective 1: To optimally utilize freehold property for User Departments and Government Strategic priorities					
Strategic Objective 2: To let out surplus freehold property for revenue					
Strategic Objective 3: To manage and procure leasehold property for user department needs					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of vacant land (land Parcels) secured to let out towards Economic Development Initiatives	-	100	9	Target Not Achieved	Due to poor response by bidders, the Department is in the process of launching and implementing a National Treasury online property listing services to advertise and facilitate the letting out of state vacant land to private sector
Number of surplus freehold office type properties let for revenue generation	-	100 Surplus freehold office type properties let out (National Target)	46 Surplus freehold office type properties let out	Target Not Achieved	Due to poor response by bidders, the Department is in the process of launching and implementing a National Treasury online property listing services to advertise and facilitate the letting out of state vacant land to private sector
Number of surplus freehold residential properties let out for revenue generation	-	500	7	Target Not Achieved 493 surplus freehold residential properties not let out for revenue generation	Many offers received from private sector were unsolicited bids.  Launching and implementation of National Treasury online state owned property listing services to advertise and facilitate the letting out of state properties to private sector

<b>Programme 4: Real Estate Management</b>						
<b>Sub Programmes: Management of Freehold Property, Land Administration and Management, Surplus Freehold (Revenue) Management and Leasehold Management</b>						
<b>Strategic Objective 1: To optimally utilize freehold property for User Departments and Government Strategic priorities</b>						
<b>Strategic Objective 2: To let out surplus freehold property for revenue</b>						
<b>Strategic Objective 3: To manage and procure leasehold property for user department needs</b>						
<b>Performance Indicator</b>	<b>Actual Achievement 2014/15</b>	<b>Planned Annual Target 2015/16</b>	<b>Actual Achievement 2015/16</b>	<b>Deviation from Planned Annual Target to Actual Achievement 2015/16</b>	<b>Comments on deviations</b>	
Number of Lease Agreements reviewed according to the rental rate per square meter and escalations	-	500	591	Target Achieved	Leases were renewed based on the approved National Treasury dispensation which resulted in the speeding up the process	
Percentage of leases renewed before expiry date	37% (16 of 43) of leases for 2014/15 signed within 30 days after finalisation of open bid	75%	78.34% (463/591)	Target Achieved	Leases were renewed based on the approved National Treasury dispensation which resulted in the speeding up the process	
Percentage of Leased Accommodation (lease in) provided within agreed time frame	-	50%	0%	Target Not Achieved	The Department is in the process of developing a framework agreement for leasing to government (Draft). Once completed, timeframes will then be determined between the relevant stakeholders	
Percentage of surplus freehold property allocated towards BBBEE	-	10% of 3000 (300)	50.9% (27 of 53)	Target Achieved	-	

Programme 5: Real Estate Information and Registry						
Sub Programme: Asset Registry Services & Conveyancing						
Strategic Objective 1: To compile and maintain a Real Estate Asset Register under the custodianship of Public Works						
Strategic Objective 2: To create a single repository for all spheres of Government						
Strategic Objective 3: To audit of all state coastal reserves under the custodianship of Public Works						
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Percentage of identified Real Estate Assets verified	-	100% of identified Real Estate Assets verified	99.32% of identified Real Estate Assets verified	Target Achieved	The outstanding 300 properties could not be linked to the Geographical Information Systems (GIS).	
Percentage of Real Estate Assets (annually identified after December) verified	-	100% of Real Estate Assets Verified	91% (8 159) of Real Estate Assets verified	Target Achieved	777 Properties could not be linked to the GIS.	
Number of Provincial Real Estate Asset Register incorporated into single repository	-	1 Provincial Real Estate Asset Register incorporated into single repository	1 Provincial Real Estate Asset Register incorporated into single repository	Target Achieved	Complete bi - annual reconciliation of KZN Provincial Public Works IAR against Deeds Records	
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations	
Percentage of Coastal Conveyancing within 180 days	-	60%	0%	Target Not Achieved	The Telkom Towers and three properties purchased by Prestige have not yet been registered as at 31 March 2016.	
Percentage of coastal reserves under the custodianship of Public Works mapped	-	100% of coastal reserves under the custodianship of Public Works mapped	0% of coastal reserves under the custodianship of Public Works mapped	Target Not Achieved	The office of the Chief Surveyor General is conducting a research along the coast to identify all the coastal reserves (registered, surveyed and un-surveyed). 6 182 land parcels and 237 coastal reserves identified by the Chief Surveyor-General and DPW respectively	

Programme: Facilities Management					
Sub Programmes: Scheduled and unscheduled Maintenance					
Strategic Objective 1: To ensure the scheduled maintenance of freehold property					
Strategic Objective 2: To ensure energy and water efficiency in freehold property					
Strategic Objective 3: To repair key components and undertake unscheduled maintenance for freehold property					
Performance Indicator	Actual Achievement 2014/15	Planned Annual Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Annual Target to Actual Achievement 2015/16	Comments on deviations
Number of identified buildings with Facilities Management Contracts	No Outcome-based Facilities Management contracts were signed by the Project Manager	300 identified buildings with Facilities Management Contracts	718 identified buildings with Facilities Management Contracts	Target Achieved	No Comment on Deviation
Reduction in kilowatt-hour (kwh) usage achieved on energy consumption	9 429 Buildings retrofitted with Energy efficiency installations	220,000,000.00	284,410,947.60	Target Achieved	Due to more buildings being fitted with energy savings interventions reported by the Pretoria and Cape Town regions, which form part of the five regions, energy savings performance exceeded the projected 10% increment for the 2015/16 financial year.
Reduction in kiloliter - (kl) usage achieved on water consumption	11 Buildings retrofitted with water savings installations generating an income of R1,914,973.78	3,905,528 (kl)	4,090,865 (kl)	Target Achieved	Reduction in kiloliter - (kl) usage achieved on water consumption in the period
Percentage efficiency (turnaround time) for unscheduled maintenance on freehold property within 5 days	18% (9 680 closed against open calls) Breakdowns completed within agreed timeframe after logging of complaint	65%	5% (253 of 5553)	Target Not Achieved 60%	This indicator was adopted without assessing historical data and trends. Now that the accurate data is available it is clear that targets are currently unachievable. New measures and targets on this indicator are being developed
Number of work opportunities created through maintenance programmes (DPW's EPWP Targets)	-	5000 work opportunities created	3269 work opportunities created	Target Not Achieved	Reduction in kiloliter - (kl) usage achieved on water consumption in the period Facilities Management will engage EPWP for assistance in managing the process of creation of work opportunities

## 2.4 STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

The Turnaround strategy of the Department is starting to realise the benefits of the second phase – efficiency enhancement. Moving forward, efforts are geared towards fast tracking efficiencies within the Department and PMTE. Figure 2.1 depicts some of the strategies that will drive the two entities towards reaching their objectives.

Figure 2.1 Programme Strategies



Fundamental to the second phase is the systematic improvements including the redesign processes, systems and structural elements of the Department and PMTE. Focus on key strategic areas to improve efficiencies and effectiveness will eventually lead to sustainability and growth.

The strategy seeks to improve service delivery in the context of Government’s priorities and save costs to the Department and the fiscus by:

- Maintaining the value of Government’s assets
- Improving access to and quality of Government’s assets
- Optimal utilisation of State stock and move away from leasing-in
- Utilise State’s vacant properties productively to create a funding stream for capital maintenance and improvements to extend the life-cycle of existing state properties;

The focus of the portfolio strategy will be on the portfolio performance and demand management

### Accommodation

The PMTE will ensure suitable accommodation is provided to user departments in order for them to deliver on their service delivery objectives, based on their needs. The PMTE will address their needs through the allocation of the current freehold properties, leasing, purchasing or constructing new accommodation. Other key focal areas include:

- Reducing the cost of doing business and the optimisation of state assets that fall under the custodianship of the Minister of Public Works;
- Decreasing the number of leased-in properties depending on the availability and appropriateness of current and new State stock which will address user-needs. This will also be informed by the respective contracting arrangements;
- Prioritising the development of functional assets as opposed to assets to be used as residences or offices;

- Shifting the responsibility for conducting basic maintenance to the client departments while the PMTE will focus on capital injection to refurbish buildings to extend their life and use. The PMTE will, through the reactivation of the Facilities Management Services Centre (Workshops Project), continue to provide basic maintenance services only to specific users and pilot projects; and
- Facilitating procurement engagements and conducting aggregation of potential suppliers, based on user-department's basic facilities management needs.

### **Portfolio performance**

- The Maintenance and Rehabilitation Programmes will address the portfolio's maintenance backlog and ensure improved compliance with applicable legislation such as the Occupational Health and Safety Act;
- Managing the maintenance of immovable assets towards lowest life-cycle cost and full cost-recovery;
- Managing the responsibilities towards maintenance appropriately, so that users, custodians and even landlords undertake the maintenance that is expected to ensure on-going acceptable performance; and
- Identifying opportunities for benchmarking and implementation, where feasible and affordable, of initiatives within improving SHERQ and sustainability standards

### **Demand management**

- Development of a plan for the location of various levels of accommodation (Head Office, District, Sub-District);
- Reducing accommodation costs through rationalisation of the portfolio, reduced space use and increased flexibility;
- Identifying and implementing opportunities for integrated service delivery and more efficient use of resources through shared facilities;
- Facilitating increased access to expanding government service delivery, while ensuring optimal utilisation; and
- Balancing the use of freehold vs leased accommodation (operating and finance leases)

## 2.5 TRANSFER PAYMENTS TO PUBLIC ENTITIES

### 2.5.1 Conditional Grants

Conditional grants and earmarked funds paid

Table 2.6: Transfers to Public Entities

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
1. Council for the Built Environment	The mission of the Council for the Built Environment (CBE) is to implement projects and programmes that address built environment issues and add value to the built environment professions, government and the general public. The CBE's mandate is to: promote and protect the interests of the public in the built environment; promote and maintain a sustainable built environment and natural environment; promote ongoing human resource development in the built environment; facilitate participation by the built environment professions in integrated development in the context of national goals; promote appropriate standards of health, safety and environmental protection within the built environment; promote sound governance of the built environment professions; promote liaison in the field of training in South Africa and elsewhere, and to promote the standards of such training in the country; serve as a forum where the built environment professions can discuss relevant issues; and ensure uniform application of norms and guidelines set by the Professional Councils throughout the built environment.	R41,994,000	R45 783 564	<ul style="list-style-type: none"> <li>Development of the framework on modalities to incorporate health and safety in construction, environmental sustainability, job creation through labour intensive construction and the Infrastructure Delivery Management System (IDMS) in built environment curricula.</li> <li>Development of the final report on the IDMS skills programme. Engagements were held with the office of the Chief Procurement Officer to formalise partnerships on IDMS training, as well as on the awareness on the new Standards for Infrastructure Procurement and Delivery Management (SIPDM).</li> <li>150 Grade 10-12 students were assisted with Maths and Science in Kimberley. The mobile laboratory, established for the programme, was donated to the Northern Cape Department of Education.</li> <li>The CBE participated in 12 accreditation visits, organised by the Built Environment professional councils, for the 2015 / 2016 financial year.</li> <li>The CBE has started to work with the six BEPCs, Department of Higher Education and Training and Department of Basic Education to establish a Transformation Steering Committee. This Committee will drive transformation initiatives within the built environment</li> <li>All appeals were concluded within the statutory required time limit. The programme finalised the research on international benchmarking of the identification of work (IDoW).</li> </ul>

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
2. Construction Industry Development Board	Strategic Goal 1: Strengthen and enforce the cidb regulations to reduce construction risk, all forms of fraud and corruption in the sector	R65,626,000	R122 910 932	<ul style="list-style-type: none"> <li>• Developed the following:               <ul style="list-style-type: none"> <li>• The final research report on the profile of the BE technical professionals employed at national and provincial departments and state owned entities;</li> <li>• The formulation of recommendations and an advisory report to the Department of Public Service and Administration (DPSA) on Occupational Specific Dispensation (OSD); and</li> <li>• The final report on the first phase research on the viability of a Government infrastructure agency</li> </ul> </li> <li>• Regulation Amendment recommendation report related to contractor registration criteria was submitted to DPW Policy Unit for approval on 3 July 2015</li> <li>• cidb Framework for Register of Professional Services Providers submitted by email on 23 February 2016 to DPW for endorsement for cidb Board for approval for Gazetting</li> <li>• cidb Standard for Integrity Management System for Contractors submitted to Core Operations Programmes Committee of 11 May 2015 and cidb Board of 25 June 2015 for approval for Gazetting</li> <li>• Annual Assessment Report on state of implementation of cidb Best Practice Contractor Recognition Scheme submitted by email on 2 March 2016 to Board Secretariat to submit to cidb Board for noting</li> <li>• Exco approved standard for Client Integrity Management System on 31 March 2016.</li> <li>• 2015/16 Q4 cidb Compliance Monitor published on cidb web in pdf format on 17 March 2015</li> </ul>

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
	Strategic Goal 2: Build and capacitate the industry to deliver quality infrastructure in the country			<ul style="list-style-type: none"> <li>• Draft cidb Standard for Contract Participation and 1 x feasibility report with go/no-go assessment on Standard was submitted by email to CIP Programme Manager on 11 December 2015</li> <li>• Annual Assessment Report on state of implementation of cidb Best Practice Project Assessment Scheme submitted by email on 2 March 2016 to Board Secretariat to submit to cidb Board for noting</li> <li>• cidb operated or facilitated SDA with a capacity to manage 50 learners per year is operational</li> <li>• Annual report on the IDMS available at end April 2016.</li> <li>• Annual report developed on the performance targets for CPO Forums hosted for the financial year 2015/2016</li> </ul>
	Strategic Goal 3: Enhance the transformation of the construction industry			<ul style="list-style-type: none"> <li>• 69% of contractors; Grades 7 &amp; 8, registered on cidb Register of Contractors are black-owned (50%+) and women-owned (30%+), as at end-March 2016</li> <li>• 40% of contractors; Grades 7 &amp; 8, registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2016</li> <li>• 28% of contractors; Grade 9, registered on cidb Register of Contractors are black-owned (50%+), as at end-March 2016</li> <li>• 25% of contractors; Grade 9, registered on cidb Register of Contractors are women-owned (30%+), as at end-March 2016</li> </ul>
	Strategic Goal 4: Position the cidb as a knowledge authority in the industry			<ul style="list-style-type: none"> <li>• PG Conference was hosted by UCT from 2 to 4 February 2016</li> <li>• Report on Employment and Labour in Construction published in pdf format on cidb web 8 December 2015</li> <li>• 1 x Report on Export Promotion of Contracting Services published in pdf format on cidb web by end-December 2015</li> <li>• 2014 Clis published in pdf format on cidb web on 22 January 2016</li> </ul>

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
3. Independent Development Trust	Programme and project management.	R50,000,000	R4,633,004,735 (Interim figure/ amount subject to audit exercise completion)	<ul style="list-style-type: none"> <li>• 2015/16 Q4 cidb Construction Monitor published on cidb web in pdf format on 21 January 2016</li> <li>• 2015/16 Q4 cidb SME Business Conditions Survey published on cidb web in pdf format 18 January 2016</li> <li>• Review of cidb Practice Manual Implementing Employment Intensive Road Works with go/no go recommendation to update submitted by email to CIP Programme Manager on 14 December 2015</li> <li>• Annual report for Training and Capacitation of Public Sector Clients on cidb prescripts by end March 2016</li> </ul>
			<ul style="list-style-type: none"> <li>• The main driver for the Organisation's performance is programme expenditure. The predetermined annual programme expenditure target of R7bn was not met; R4,633,004,735 was spent (Figure 1 and Figure 2), representing a 66% achievement level</li> <li>• 3.1.1. 41 government departments were supported against a target of 40 (102% level of achievement)</li> <li>• 54 194 work opportunities: EPWP: NSS created as against the target of 50 000. This represents a 108% level of attainment.</li> <li>• 380 Co-operatives, NPO's, NGOs &amp; CBO's supported (contracted to EPWP NSS) supported against a target of 350, thus representing a 109% level of achievement.</li> <li>• 67% (that is 74) women contractors are participating in the Contractor Development Programme (CDP) against a target of 65% (72), putting the performance level at 103%.</li> <li>• Corporate Efficiency Ratio actual is 6.6% against a target of 6.3% representing a 95% attainment level</li> <li>• Five (5) organisational profile building campaigns were implemented. This represents a 166% level of achievement.</li> </ul>	

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity	Amount spent by the public entity	Achievements of the public entity
4. Agrément South Africa.	<p>South African centre for the assessment and certification of innovative non-standardised construction products, systems, materials, components and processes, which are not fully covered by a South African Bureau of Standard standard or code of practice. Innovative construction systems are assessed in accordance with Agrément South Africa approved criteria which could include the following aspects of assessment.</p> <ul style="list-style-type: none"> <li>Ø structural strength &amp; stability</li> <li>Ø water penetration and rising damp</li> <li>Ø thermal &amp; energy performance</li> <li>Ø performance in fire</li> <li>Ø quality management system</li> <li>Ø National Building Regulations</li> <li>Ø condensation</li> <li>Ø acoustic performance</li> <li>Ø accuracy in building</li> <li>Ø durability</li> </ul>	R11'682'000	R11'682'000	<ul style="list-style-type: none"> <li>• Management Fee Collection rate: R299,88m (90%) of the current financial year's billing has been collected, representing an 90% performance level of achievement</li> <li>• The IDT has an approved staff establishment of 441. For the 2015/16 financial year, 390 positions were budgeted for and of these 355 were occupied as at the end of March 31, 2016 which translates to an occupancy rate of 91% or alternatively a vacancy rate of 9%. A vacancy rate of less than 15% constitutes the predetermined target for the financial year under review. The assessed performance level is 167%.</li> </ul>
				<ul style="list-style-type: none"> <li>• The passing of the Agrément South Africa Act</li> <li>• Task Team established to drive the transitional arrangements intended to establish Agrément South Africa as a legal entity with effect from 1 April 2017.</li> <li>• Successful certification of innovative construction technologies for which there are no national standards. Technical conduit to new and improved standardized building materials.</li> <li>• Improved performance of infrastructure due to advancements in products &amp; building systems</li> <li>• Leads to improvement of existing products</li> <li>• Leads to doing more with less</li> <li>• Helps delivery of infrastructure at a faster &amp; cheaper rate</li> <li>• contribute to accelerated infrastructure development</li> <li>• Reassurance of fitness of purpose</li> <li>• Authoritative assessment of system performance</li> <li>• Can effectively address housing backlog</li> </ul>

Table 2.7: EPWP integrated grant paid to provinces during the period 1 April 2016 to 31 March 2016

Departments to the grant has been transferred	The grant has been transferred to eligible departments in all nine provinces
Purpose of the grant	<ul style="list-style-type: none"> <li>To incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines:                             <ul style="list-style-type: none"> <li>road maintenance and the maintenance of buildings</li> <li>low traffic volume roads and rural roads</li> <li>other economic and social infrastructure</li> <li>tourism and cultural industries</li> <li>sustainable land based livelihoods</li> <li>waste management</li> </ul> </li> </ul>
Expected outputs of the grant	Number of people employed and receiving income through the EPWP Increased average duration of the work opportunities created
Actual outputs Achieved	39 129 FTE, created
Amount per Amended DoRA (R'000)	R326 207
Amount Transferred (R'000)	R325 607
Reasons if amount as per DoRA not transferred	The amount of R600 thousand was not transferred to the departments Health Services in Northern Cape Provinces as the department failure to spend the transferred amount and non-compliance to the Division of Revenue Act.
Amount Spent by the provincial departments (R'000)	R318 269
Monitoring Mechanism by the transferring departments	The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system.

- Transfer payments were not all made as per the original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.
- All transfers were made into the primary bank accounts
- The department did not retain any portion of the grant for administration cost.
- Payments were withheld for non-compliance with the Division of revenue Act as following
  - Late submission of signed incentive agreements and projects list
  - Lack of spending the transferred amount
  - Non- submission of In Year Monitoring report
- The compliance with Division of Revenue Act by receiving departments was not consistent throughout. The department applied withholding of the portion of the grant to enforce compliance and also provided technical support straggling public bodies.
- The FTEs targets for 2015-16 financial year was 32 279 and 39 123 FTEs were reported by the eligible departments. This is an overall achievement of 121% against the grant FTE target. The province that did not achieve their targets are Free State, Limpopo, Northern Cape and Northwest with the achievement of 48%, 34%, 32% and 21% respectively. The under achievement is attributed to the delays in implementation of the projects. The department will provide technical support to the departments underperforming.

Table 2.8: EPWP integrated grant paid to Municipalities during the period 1 April 2015 to 31 March 2016

Municipalities whom the grant has been transferred	The grant has been transferred to 276 public bodies ( Local municipalities, District municipalities and Metros)
Purpose of the grant	<ul style="list-style-type: none"> <li>· To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:               <ul style="list-style-type: none"> <li>- road maintenance and the maintenance of buildings</li> <li>- low traffic volume roads and rural roads</li> <li>- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure)</li> <li>- other economic and social infrastructure</li> <li>- tourism and cultural industries</li> <li>- waste management</li> <li>- parks and beautification</li> <li>- sustainable land-based livelihoods</li> <li>- social services programme</li> <li>- health service programme</li> <li>- community safety programme</li> </ul> </li> </ul>
Expected outputs of the grant	Increased number of people employed and receiving income through the EPWP Increased average duration of the work opportunities created Increased income per EPWP beneficiary
Actual outputs Achieved	28, 517 FTEs created
Amount per Amended DoRA (R'000)	R 587 685
Amount Transferred (R'000)	R587 685
Amount Spent by Municipalities (R'000)	R467 673
Reasons for the funds unspent by Municipalities	The conditional grant is aligned to financial year of municipalities, unspent amount will still be spent during the last quarter of municipal financial year.
Monitoring Mechanism by the transferring departments	The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system.

- Transfer payments were not all made as per the original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.
- All transfers were made into the primary bank accounts
- The department did not retain any portion of the grant for administration cost.
- Payments were withheld for non-compliance with the Division of revenue Act as following
  - Late submission of signed incentive agreements and projects list
  - Lack of spending the transferred amount
  - Non- submission of In Year Monitoring report
- The compliance with Division of Revenue Act by receiving municipalities was not consistent. The department applied withholding of the portion of the grant to enforce compliance and also provided technical support straggling public bodies.
- The FTEs annual target for 2015-16 financial was 56 387 28 517 FTEs were reported by the eligible municipalities. This is an overall achievement of 51% against the grant FTE target. Municipalities that are not performing well are in Eastern Cape, Free State, Gauteng and Limpopo provinces with performance of 34%, 45%, 29% and 26% respectively. The department will provide technical support to municipalities. The annual target is aligned to the municipal financial year.

Table 2.9: EPWP Social Sector Incentive grant paid to provinces during the period 1 April 2015 to 31 March 2016

Departments to the grant has been transferred	The grant has been transferred to eligible departments in nine provinces
Purpose of the grant	To incentivise provincial social sector departments identified in the 2013 Social Sector EPWP Log-frame to increase job creation by focusing on the strengthening and expansion of social service programmes that have employment potential
Expected outputs of the grant	<ul style="list-style-type: none"> <li>• Improved service delivery to communities by expanding the reach and quality of social services</li> <li>• Improved quality of life of unemployed people through employment creation and increased income</li> <li>• Contribute towards decreased levels of unemployment</li> <li>• Improved opportunities for sustainable work through experience and learning gained</li> <li>• Strengthened capacity of non-government delivery partners through increased access to funds for training, wages and administration</li> </ul>
Actual outputs Achieved	11 138 FTEs created 1 522 NPOs were supported administratively 95 961 Households received social services 1411 212 People (ECD children, learners and patients) received social services
Amount per Amended DoRA (R'000)	R 226 103
Amount Transferred (R'000)	R 226 103
Reasons if amount as per DoRA not transferred	
Amount Spent by the provincial departments (R'000)	R 222 454
Monitoring Mechanism by the transferring departments	The conditional grant is monitored through the monthly expenditure reports, site verification visits and reports on the EPWP reporting system.

- Transfer payments were not all made as per the original scheduled as some payments were withheld due to lack of compliance by provincial departments. However, approval to amend payment schedule was requested from National Treasury and it was granted.
- All transfers were made into the primary bank accounts
- The department did not retain any portion of the grant for administration cost.
- Payments were withheld for non-compliance with the Division of revenue Act as following
  - Late submission of signed incentive agreements and business plans
  - Lack of spending the transferred amount
  - Non- submission of In Year Monitoring report
- The compliance with Division of Revenue Act by receiving departments was not consistent. The department applied withholding of the portion of the grant to enforce compliance and also provided technical support straggling public bodies.
- The FTEs target for the Social Sector EPWP Incentive grants was 11, 004 and the actual number of FTEs reported 11, 138 (101%). The overall performance was achieved, however certain provinces did not achieve 100% their targets. They are Eastern Cape, Kwazulu-Natal, Limpopo and Western Cape is 85%, 39%, 92% and 94% respectively. The shortfall is mainly attributed to the delays in implantation of the projects. The department will provide the support to the departments that did not achieve their targets

## 2.6 CAPITAL INVESTMENT

Capital Investment and Asset Management in the Department of Public Works was a cumulative process of the Department's immovable asset planning for its own domestic requirements combined with that of its User departments' as expressed in the User Asset Management Plans. Ultimately, this was reflected in the Custodian Asset Management Plan for the year under review. The Custodian Asset Management Plan (C-AMP) for 2017/18 has been compiled for approval by Accounting Officer and submitted to National Treasury for funding requirements during the 2016/17 MTEF process.

In the 2015/16 financial year, 42 User Asset Management Plans were received including that of the Department itself. This denotes significant progress in relation to asset management planning for the Department and its users as well as improved compliance with the Government Immovable Asset Management Act (Act 19 of 2007).

The Department provided and managed immovable property portfolio in support of Government's Social, Economic and Functional and Political Objectives. The obligation enjoins the Department to plan, budget and executes work calculated to acquire, maintain and construct various government facilities such as police stations, land ports of entry, prisons, residential and office accommodation for user departments. Despite persisting problem of under-spending the budget allocated for construction infrastructure projects and late delivery of such infrastructure projects the department managed to complete 125 projects. A total of 125 projects to the value of R 2,691,560,074.20 were completed in 2015/16 of which 62 were scheduled to be completed. This included Planned Maintenance, PMTE Capital and Departmental Capital.

The Department approved the demolition of 7 buildings in 2015/16. These buildings had either reached the end of their lifespan or were no longer operational and beyond economical repair. In the main, and following extensive investigation in each instance, their demolition will make way for redeveloped facilities, in line with current and future user requirements.

During the year, 36,494 hectares of vacant land were released by the department to address the following government requirements with significant positive impact on the Provincial and Local sphere of Government:

- Human settlements - 8,959 hectares
- Land Reform - 26,828 hectares
- Other socio-economic objectives (e.g. servitudes for water & electricity, educational purposes) - 707 hectares.

The current state of the Department's capital stock, for example what percentage is in good, fair or bad condition

Table 2.10: State of the Department's capital stock

Department	Condition of State Owned Buildings										Total
	(Number and Percentage)										
	Very Good		Good		Fair		Poor		Very Poor		
	C5		C4		C3		C2		C1		
Correctional Services	24	0%	2629	23%	8147	71%	620	5%	132	1%	11552
Defense		0%	3412	11%	24096	81%	1764	6%	491	2%	29763
Justice	38	1%	636	24%	1666	62%	277	10%	79	3%	2696
Other User Departments	367	2%	5061	16%	18439	60%	5173	17%	1676	5%	30716
SAPS	275	1%	3726	21%	11175	64%	1874	11%	492	3%	17542
Unutilised		0%	16	5%	139	43%	46	14%	124	38%	325
<b>Grand Total</b>	<b>704</b>	<b>1%</b>	<b>15480</b>	<b>17%</b>	<b>63663</b>	<b>69%</b>	<b>9754</b>	<b>11%</b>	<b>2994</b>	<b>2%</b>	<b>92594</b>

Towards quantification and definition of the extent of the maintenance backlog, condition assessments were carried out on significant portfolios in Cape Town and Pretoria. This will assist the scheduling of maintenance programmes for those portfolios.

The Department however, continues to have a significant number of immovable assets in very poor to poor condition. Although maintenance projects have been scheduled for these and other assets in the portfolio, these projects are currently unfunded and contribute to continued dilapidation of the portfolio. Moving forward, the strategy remains to categorize all assets according to condition for them to be prioritized and included in funded Maintenance Programme on an annual basis.

A photograph of a modern building's interior. The ceiling is made of dark wood panels with recessed lighting. Large glass windows and doors are visible, reflecting the sky and the building's structure. The floor is a light-colored, textured material. An orange banner is overlaid on the middle of the image, containing the chapter title.

# CHAPTER 3

## GOVERNANCE

## 3.1 INTRODUCTION

Creating a focus on Governance, Risk and Compliance has enabled the department to engender a new discipline in the way in which we manage our governance arrangements and order of business. In this regard the recently established Governance, Risk and Compliance continued to lead the Department in intensifying our fight against fraud and corruption; in developing internal practices toward improving the integration of our planning, risk management and performance monitoring processes and as well as enhancing oversight and alignment of the activities of the public entities reporting to the Minister of Public Works. The Department has also been successful in rolling out support to the provincial departments of public works with respect to developing performance monitoring and evaluation systems in the provinces. Some of the salient features of governance practices in the department are discussed below.

### Governance Practices

The Department has demonstrated incremental improvement in its Management Performance Assessment Tool (MPAT) results. This mechanism is administered by the DPME and assesses Department compliance with designated governance practices within the areas of financial, supply chain and human resource management, and ethics and strategic management, among others. In this regard the department has improved its ratings from an average of 25% scored in 2012 to a rating of 71% in 2015. The MPAT standards are a barometer and clear indication of the extent to which the department has improved its governance practices in its quest to improve service delivery. The department has established plans to further improve its performance in this regard over the five-year period covered by the Strategic Plan.

### Oversight of the Public Entities

The quarterly oversight engagements conducted by the department in relation to the public entities, the CIDB, CBE, ASA and the IDT has enabled the department to closely monitor the governance practices in general, as well as the performance of the entities against their respective targets as articulated in their strategic and annual performance plans. These engagements have also enabled the entities to better focus their priorities with those of government as contained in the NDP and MTSF, as well as the policy priorities of the Minister of Public Works. The Department is engaging the role previously assumed by the DPME of overseeing the planning processes in these public entities and formalized shareholder compacts with each one of them for the first time (with the exception of the IDT for whom this has been standard practice), detailing our expectations of our public entities as a mode of delivery for critical outcomes contained in the NDP within the construction and property sectors. In the year ahead, these oversight arrangements of varying degrees will be extended with the support of the CBE, to include the six built environment professional councils.

### Risk Management

The Department has a Risk Management Policy and the Risk Management Strategy which were reviewed in line with changes in the environment to reflect the current stance on risk management. Both of these instruments were presented to the relevant governance structures (RMC, EXCO and the Audit Committee) for inputs and consultation and was subsequently approved by the Accounting Officer in April 2016. The risk management policy and strategy is currently being implemented for the 2016/17 financial year.

The Risk Management Unit in the Department conducts quarterly risk monitoring to monitor the implementation of identified action plans to reduce risk exposure in the department and to establish whether they have been implemented in terms of the risk register and in accordance with the Risk Management Strategy. Management along with the relevant accountability structures (Risk Management Committee (RMC), Executive Management Committee (EXCO) and the Audit Committee (AC) in the Department are provided with progress made in terms of implementation of action plans. Furthermore, the Department conducts risk assessment/reviews annually to evaluate the status of risks identified with regard to the progress on the implementation of action plans, and to determine the level of risk exposure at a residual level considering the relevant strategic objective. Emerging risks are identified when monitoring is conducted as well as when there are any changes in the Department's

operations. Respective business units are consulted to bring the emerging risks to the attention of the risk owner. The current risk registers are then updated with such emerging risks whose mitigation plans are also monitored on a quarterly basis.

The Department has a functional Risk Management Committee (RMC) chaired by an independent Chairperson appointed by the DG in accordance with the National Treasury Framework. The RMC meets quarterly in terms of the RMC Charter. Discussion and resolutions taken at RMC are reported to the EXCO and AC for further discussions and decision making.

In terms of oversight, the AC is responsible for oversight of the Department's control, governance and risk management and provides an independent and objective view of the Department's risk management effectiveness. This committee monitors the implementation of risk management processes and advises management on ways to improve and effectively implement risk management processes within the Department.

For the financial year 2016/17 financial year, the Department has been involved in the review of both Strategic and Operational risks for the main vote and PMTE. The Risk Management Unit in collaboration with the Strategic Planning Unit conducted engagements with various branches to ensure alignment in business processes. This exercise assisted the Department to take into consideration challenges that may hinder the achievements of its objectives and identify mitigation strategies. The unit also escalated risks that were identified by regions for intervention by relevant branches at head Office which also assisted to raise awareness at Head Office of challenges faced by the regions which may hinder the overall achievement of the Departmental goals and to develop the relevant action plans.

In the context of collaboration towards combined assurance, the departmental Internal Audit function was able to rely upon Risk Management Registers and outputs when developing their Internal Audit Annual Plan for the 2016/17 financial year. This collaboration and peer assessment as a basic for risk reliance has enabled the risk management function to incrementally improve its processes as a result of undertaking corrective action to address findings arising from these risk management reviews.

## Fraud and Corruption

The Department Fraud Prevention Strategy is based on four pillars, which are Prevention (including Training and Awareness, Risk Management and Internal Controls and Promoting Reporting Mechanisms); Detection which includes proactive investigation in areas that are vulnerable to fraud and corruption; Investigation which entails instituting investigations within 30 days of the receipt of allegations and finally Resolution which includes instituting disciplinary proceedings, criminal or civil recovery and instituting controls to prevent future recurrence.

## Awareness

Awareness of the Department Fraud Prevention Strategy is led by intensive fraud awareness programmes throughout the department and targets all employees. While the department has achieved full compliance with the public service financial disclosure framework, it is currently in the process of appointing an Ethics Officer in anticipation of the Public Administration Management Act as well as to develop and implement a comprehensive ethics framework in the department. In this regard the department has established an Ethics Committee to deliberate on matters of fraud and corruption as a subcommittee of, and to advise the EXCO in this regard. This committee meets bi-monthly and reports on its deliberations and makes recommendations to the EXCO.

## Fraud risk management

The department has emphasized the need to introduce internal controls and fraud prevention within the context of a holistic anti-corruption strategy. This will ensure that malpractice is prevented before it occurs. This requires a comprehensive Fraud Risk Assessment which the department conducted for the first time during the year under review (and will repeat annually), and for which fraud risk ownership and mitigation was decentralized to management at the line functional level. Mitigation strategies have accordingly been earmarked to strengthen internal controls to address areas with a high prevalence of abuse/fraud/corruption, such as provision of

day-to-day maintenance, emergency award of contracts and abuse of deviations from normal supply chain management processes. These initiatives have enabled the department to complement its overall strategy with a stringent fraud risk mitigation strategy so as to attend to the root causes of fraud and corruption. A Fraud perception Survey will also be conducted in the year ahead targeting all officials regardless of levels within the DPW, to improve our understanding of fraud risk and mitigate them in our quest to combat fraud and corruption.

### Whistleblowing and reporting Fraud and Corruption

The Department has an approved whistleblowing policy which seeks to promote reporting of incidents of fraud and corruption. In-house publications as well as posters displayed at various strategic positions are some of the measures used to highlight reporting mechanisms available to staff. The Department further promotes the use of the National Anti-Corruption hotline as an effective reporting mechanism. Officials and external stakeholders are encouraged to report anonymously to the National Anti-Corruption Hotline and internally to the Minister, Deputy Minister, Director General via portals available on the Department's website. Reports can also be referred directly to the Deputy Director-General Governance, Risk and Compliance and/or to the Directorate Fraud Awareness and Investigations.

### How these cases are reported and what action is taken

The Unit receives referrals/ cases from the Public Service Commission and other sources e.g. Management requests, complaints lodged by officials or service providers. A Register of all the cases referred to the Unit is maintained within the Unit mandated with conducting investigations. Investigations are instituted within 30 days of receipt of allegations.

After the completion of the investigation a report is provided to the Director-General / Accounting Officer to consider the findings and recommendations made. Should the Director-General approve the recommendation made, the report is sent to Managers to implement the recommendations made. In instances where the transgression constitutes a criminal offence a case is reported to the South African Police Service (SAPS) for further action.

### Minimising Conflict

To ensure that conflicts of interest in supply chain management practices are minimised and to further prevent and detect collusive practices, the department has implemented a number of internal control measures. These controls include the following:

- All SCM officials and every official involved in supply chain processes are required to annually sign a "Code of Conduct for all DPW Officials Engaged in Supply Chain Management" form (PA00) which requires the officials to declare in writing all business, commercial and financial interests.
- Every official of the department who is involved in either the development of tender specifications or the evaluation of tenders received or the adjudication of tender awards are required to complete and sign a "Declaration of Interest and Confidentiality" form (PA18). This is a mandatory requirement and no tender specification, evaluation or adjudication meeting will convene if this requirement is not adhered to.
- Further to this, all SCM officials are required to submit on a quarterly basis a "Related Party Disclosure" form which requires officials to also disclose in detail the participation of spouses and close family members in any partnerships, close corporations and/or companies.
- The department's supply chain processes also make it mandatory for all bidders responding to an invitation to bid, to complete and submit a "Declaration of Interest and Bidders Past SCM Practices" form (PA11) which obligates the bidder to declare any relationship with any member of the department involved in the supply chain process related to the bid and to further declare whether he/she is an employee of the State.

- When utilising external professional service providers to conduct risk assessments on potential contractors, the department has implemented a “Consultant Declaration of Interest” form which requires the party conducting the risk assessment to declare any potential conflict of interest.
- The departments Inspectorate and Compliance Unit are now embedded within the supply chain processes as “gatekeepers” to ensure good governance and compliance. This serves to further minimise conflicts of interest.

In instances where officials declare a conflict of interest they are then recused from participating in any further activity related to the matter under discussion.

#### Code of Conduct

Section 195 (1) (a) of the Constitution requires that “a high standard of professional ethics must be promoted and maintained” in public administration generally. In terms of the Disciplinary Code and Procedure for the Public Service and for SMS members, all employees in the Public Service have the responsibility to comply with the prescribed Code of Conduct. It is against this background that the Code of Conduct for the Public Service was promulgated under the Public Service Act, Chapter 2 of the Public Service Regulations.

The Code of Conduct is a guideline to employees on what is expected of them from an ethical point of view both their individual conduct and their relationship with others. The purpose of the Code is to enhance professionalism in the public service and help to ensure confidence in the public service. The Code of Conduct for the Public Service serves to promote ethical and professional behaviours among employees in the Public Service.

There is some degree of compliance with the Code of Conduct among employees in the Department which result in good administration and efficient management of discipline. There is also some degree of non-compliance with the Code of Conduct e.g. employees who often engage themselves on unethical behaviours such as fraud and corruption, which in turn has a negative effect on the Department because it hampers service delivery and compromised the integrity of the Department.

The Department is adhering to the Code of Conduct in that employees are subjected to disciplinary processes for contravention of same. The Code of Conduct and its explanatory Manual has been circulated to the Departmental users through the communication unit for employees to acknowledge receipt through their supervisors/ managers. Presentations of the Code of Conduct are done during the induction of new employees (Learners, Interns and Young professional) in the Department. The Department follows the disciplinary processes contained in both the Disciplinary Code and Procedure for the Public Service and for SMS members to deal with any breach of the Code of Conduct for the Public Service.

The Code of Conduct read with the Disciplinary Code and Procedure for the Public Service and for SMS members serve as basic rules that the employer relies on during disciplinary hearings to prove that employees have committed misconduct since most acts of misconduct committed amount to contravention of same. In terms of the Disciplinary Code and Procedures for the Public Service and for SMS members, any contravention of the Code of Conduct for the Public Service is an act of misconduct; therefore employees are subjected to disciplinary processes in that regard.

### Health Safety and Environmental Issues

The Department of Public Works, through its Statutory Compliance unit recently embarked on a country-wide campaign to inform and educate staff on the importance of health and safety in the work place under the slogan -

*“My Safety, Your Safety, Our Responsibility”*

All Departmental officials were urged to adopt a culture to “Let health and safety be a way of life for each one of us; because one loss of life is one too many” and report any unsafe working conditions in the Department. As part of the campaign, various habitual preoccupations that most office workers are involved impacting negatively on their physical well-being were demonstrated

In terms of the normal programmes as part of the Department's full realisation of the Occupational Health and Safety Act 85 of 1993, inspections were conducted on both the leased and state buildings to monitor the level of compliance. Most of the buildings were not complying with the requirements of the OHS legislation. Some of the supporting units within the Department were consulted to avail funds to rectify the non-compliance issues and in the process certain facilities were prioritize for the financial year 2016/17 to address the non-compliance. .

Inspections were also conducted on the Waste Water Treatment Plant in which a contravention notice was issued by the department of Labour on the working conditions and lack of medical surveillance and provision of the personal protective equipment. A task team has been formulated to come up with a remedial action to address the non-compliance issues. In cases where identified non-compliance issues as per the OHS requirements are not addressed, the Department of Labour is obliged to issue the Department with a prohibition notice not access those buildings.

Table 3.1 Portfolio Committees

Item	Date	Subject	Issues To Note
	15 March 2016	Meeting with the Council for the Built Environment (CBE), Construction Industry Development Board (CIDB) and the Competition Commission on the outcome of the investigation on collusions in the built environment.	<p>The focus was mainly on CIDB and the process unfolding to deal with companies found the Competition Commission to have engaged in acts of anti-competitive behaviour including collusion and price fixing.</p> <p>The Portfolio Committee requested the entities to maximise the implementation of their legislation and regulations in this regard rather than to wait for the legislative review being undertaken by the department.</p>
	09 March 2016	Briefing by the Council for the Built Environment (CBE) on their 2014/15 Annual Report	<p>The issue of the Acting CEO who had been in place for more than a year and a suspended former CEO became a bone of contention for the committee. The other issues of concern by the committee were:</p> <ul style="list-style-type: none"> <li>(i) Underspending for programmes 2,3 and 4;</li> <li>(ii) Lack of transformation in built environment;</li> <li>(iii) Why the Ministerial report on the investigation under section 19(3) of the council was not made public;</li> <li>(iv) Consequence management against officials who failed to exercise oversight over financial reporting and compliance;</li> </ul>
	08 March 2016	Briefing by the Department of Public Works on progress made in the implementation of the turnaround strategy	This was a follow-up to the meeting that took place on 09 June 2015.
	02 March 2016	Briefing by the Construction Industry Development Board (cidb) on their 2014/15 Annual Report	The meeting was postponed and the committee felt that DPW should have been participated in the meeting. The committee was also concerned about two officials who acted as CEOs on rotational basis.

Item	Date	Subject	Issues To Note
	01 March 2016	Briefing by the Department of Public Works on the oceans economy programme and the green buildings framework.	<p>The committee requested more information on the following:</p> <ul style="list-style-type: none"> <li>(i) the number of jobs created by the projects under this programme</li> <li>(ii) Signed MoUs with other government departments to strengthen cooperation:</li> <li>(iii) breakdown of proclaimed and proclaimed harbours were requested;</li> </ul> <p>The committee requested the department to explore the possibility of manufacturing smart meters locally.</p>
	23 February 2016	Briefing by the Construction Industry Development Board (cidb) and the Council for the Built Environment (CBE) on their 2014/15 Annual Report	
	16 February 2016	Briefing by the Independent Development Trust on their 2014/15 Annual Report	<p>The committee raised concerns on the following issues:</p> <ul style="list-style-type: none"> <li>(i) Lack of details on why the CFO was dismissed;</li> <li>(ii) Disclaimer audit opinion and requested a detailed action plan to remedy the situation;</li> <li>(iii) High staff turnover and steps taken to address the challenge;</li> <li>(iv) The Turn-around strategy that took too long;</li> <li>(v) SIU to intervene on matters of disciplinary actions;</li> <li>(vi) Timelines required for filling of 91 vacant positions</li> </ul>
	02 February 2016	<ul style="list-style-type: none"> <li>- Consideration and adoption of the Expropriation Bill [B4B - 2015]</li> <li>- Briefing by the Department of Public Works on the second and third quarter report in the 2015/16 financial year</li> </ul>	Legislation Process
	26 January 2016	Further consideration and adoption of the Expropriation Bill, [B 4B - 2015]	Legislation Process
	24 November 2015	Further deliberations on the Expropriation Bill [ B4B-2015]	Legislation Process
	19 November 2015	Consideration and adoption of the Budgetary Review and Recommendation Report	Legislation Process
	10 November 2015	Further consideration of the Expropriation Bill clause by clause [B4B - 2015]	Legislation Process
	03 November 2015	Consideration of the Expropriation Bill (clause by clause) [B4-2015]	Legislation Process

Item	Date	Subject	Issues To Note
	27 October 2015	Consideration of the Expropriation Bill (clause by clause) [B4-2015]	Legislation Process
	20 October 2015	Consideration of the Expropriation Bill (clause by clause) [B4-2015]	Legislation Process
	14 October 2015	Briefing by the Department of Public Works on their 2014/15 Annual Report	Members commended the department for a job well done in addressing the issues that had reflected badly in the previous financial year.  The biggest concern raised was on filling of vacant positions in the department, finding qualified individuals and large number of resignations.
	22 September 2015	Briefing by the Department of Public Works on the first quarter report, 2015/16 financial year.	Some of the critical issues that emerged concerned the mapping of coastal reserves as captured in the APP, but which is a task that involves the Surveyor General. Other issue was operationalisation of the PMTE; payment of rates and taxes to municipalities;
	08 September 2015	Consideration of the Expropriation Bill clause by clause	Legislation Process
	25 & 26 August 2015	Deliberations on inputs received during public hearings and consideration of the Expropriation Bill, and Consideration of the Expropriation Bill clause by clause	Legislation Process
	18 August 2015	Briefing by the Construction Industry Development Board (cidb) on the National Contractor Development Programme.	
	04 August 2015	Public Hearings on the Expropriation Bill, B4 - 2015	Legislation Process
	28 July 2015	Public Hearings on the Expropriation Bill, B4 - 2015	Legislation Process
	23 June 2015	Briefing by the Department of Public Works on phase three of the Expanded Public Works Programme	
	09 June 2015	Briefing by the DPW on Turnaround Strategy	The committee enquired about:  (i) Difficulties which department had in accounting for government assets;  (ii) Effectiveness of operation bring back programme;  (iii) Towns targeted for small harbour development;  Concerns were raised on the security in the parliamentary villages; poor quality of DPW buildings; when will the acting positions within PMTE will be filled.

Item	Date	Subject	Issues To Note
	02 June 2015	Briefing by DPW Quarter 4 Performance Report	<p>The committee had mixed reaction to the report noting some improvements and lack of accurate report with figures to back the reported performance.</p> <p>The committee wanted to know more about number of small businesses entering the sector; list of scarce skills; financial consequences of project delays; definition of decent employment; update on regularisation of leases and irregular expenditures;</p>

· Standing Committee on Public Accounts

SCOPA convened Joint meeting with DPW and the IDT on 24 June 2015 to provide to provide a progress report to SCOPA on the projects implemented by DPW and IDT on behalf of DCS during the financial year 2013/14. SCOPA resolutions in this regard were sent to DCS to provide responses and act on the committee's recommendations.

Table 3.2 Select Committee on Economic and Business Development

Item	Date	Subject	Issues To Note
	15 March 2016	Briefing by the Department of Public Works on Expropriation Bill [B 4B-2015] (s76)	Legislation process
	26 January 2016	Briefing by the Department of Public Works on the 2014/15 Annual Report.	<p>The committee probed the department on the following issues:</p> <ul style="list-style-type: none"> <li>(i) Completion date of the asset register;</li> <li>(ii) Operationalisation of PMTE;</li> <li>(iii) Job creation initiatives;</li> <li>(iv) Regulation of foreign workers in construction industry;</li> <li>(v) State of DPW buildings in PE following their oversight visit;</li> <li>(vi) Progress regarding fraud and corruption</li> </ul>
	28 July 2015	Briefing on the Agrément SA Bill [B3B of 2015]	Legislation process
	04 August 2015	Finalisation of deliberations and adoption of the Agrément SA Bill.	Legislation process

Table 3.3 Schedule of Expropriation Bill Briefings in the Provinces

DATE	TIME	Venue	PROVINCE	DELEGATION
09 March 2016			Free State	Adam Mthombeni, Joe Lekala and Welcome Mokoena
15 March 2016	13h00 - 16h00	Committee Room A, Gauteng Provincial Legislature	Gauteng	Andre Meyering
15 March 2016	11h00 - 14h00 TBC	Committee Room 1, 4th floor, 7 Wale Street, Cape Town	Western Cape	Mandisa Fatyela & Joe Lekala
15 March 2016	08h00	North West Legislature	North West	Welcome Mokoena

DATE	TIME	Venue	PROVINCE	DELEGATION
15 March 2016	08h00 - 11h00	Committee Room 4, Building 1 Mpumalanga Government Complex	Mpumalanga	Thando Wababa
16 March 2016	09h00	ANC Caucus Room - Legislature Building	KwaZulu-Natal	Mandisa Fatyela; Joe Lekala
16 March 2016		Parliamentary Village, Polokwane	Limpopo	Adam Mthombeni; Welcome
16 March 2016	16h00		Northern Cape	Andre Meyering Mokoena
31 March 2016			Eastern Cape	Mandisa Fatyela; Joe Lekala

## Scopa Resolutions

Table 3.4 Scopa Resolutions

Resolution No.	Subject	Details	Response by the Department	Resolved (Yes / No)
a)	Irregular Expenditure	The project to implement a system that enables continuous financial reporting in line with the requirements of GAAP is prioritised and finalised as a matter of urgency;	<p>The procurement of an accrual accounting system has been finalized and the customization to link it to operational feeder systems is continuing. Management has also taken an in-principle decision to migrate operational systems to Archibus which is specialized property management software. Linked to the accounting platform this will improve the efficiencies and controls over most of the business risks currently encountered.</p> <p>Preventative and detection capabilities for irregular expenditure have similarly been improved through enhanced controls implemented. This has resulted in a sharp decline of irregular expenditure that originated in the 2014/15 financial year of only R 60 million. The enforcement of these controls is being further intensified.</p>	Yes
b)		The deviations are monitored, investigated and discussed at top management level, and appropriate disciplinary action is taken against officials who are responsible for unjustifiable deviations;	<p>The approval of deviations is only delegated to senior officials that can consider motivation within the context of the best interest of the state and application of sound governance principles. This delegated authority can furthermore only be exercised legally by application of the criteria of urgency, emergency, impracticability and sole supplier.</p> <p>To manage this authority, registers are compiled on a monthly basis of all deviations approved. The justification of these deviations is considered by an Accountability Management Committee (AMC) consisting of Deputy-Directors – General and the Accounting Officer. Where any unjustifiable deviations are detected where officials did not act in the best interest of the Department or outside the stated legal mandate, appropriate action will be instituted against them.</p> <p>Deviation reports are also submitted to the National Treasury on a monthly basis for their attention</p>	Yes

Resolution No.	Subject	Details	Response by the Department	Resolved (Yes / No)
c)		Supply chain management policies are updated and circulars to this effect issued, and monitoring controls are strengthened to ensure adherence.	<p>The Supply Chain Management policy was reviewed and approved during the 2013/14 financial year. Circulars are further issued on a regular basis to augment this policy.</p> <p>In order to enforce adherence to these directives, the Inspectorate and Compliance Unit in the office of the CFO has been tasked to verify and sign off on all acquisitions before orders can be placed with suppliers. In this manner the PMTE will not be placed in a position where legal obligations are created through transactions that have been incurred in an irregular manner.</p>	Yes
a)	Operating lease	Adequately skilled personnel with the necessary GAAP knowledge and experience are employed, and that the current staff members are trained to ensure correct application of GAAP principles;	<p>A comprehensive skills gap analysis was performed throughout the Department, and a coordinated way forward is currently being drafted.</p> <p>A proactive approach was pursued to directly contract skilled and experienced accounting professionals:</p> <ul style="list-style-type: none"> <li>• 6 skilled resources, at head office and at senior management level, to assist with the coordination and preparation of the annual financial statements (AFS);</li> <li>• 14 skilled resources to provide dedicated regional support</li> </ul> <p>Whilst an integrated and GRAP compliant Lease Management System is in the process of being developed, the PMTE has undertaken a detailed review of all lease data on the manual spreadsheet used to support the AFS, and endeavored to address all identified gaps;</p> <p>It is planned to migrate the lease register onto the Archibus Lease Management System as soon as possible. The expected go-live date is November 2015.</p>	Yes
b)		The financial statements and supporting schedules are reviewed in line with the GAAP and that all deficiencies are resolved before they are submitted for audit;	<p>The above comments also apply;</p> <p>A PMIS task team was set up to perform an initial data integrity check on all current lease data for immediate update by regional offices. A follow up review is currently underway and expected to be completed by the end of November 2015;</p> <p>Regional visits were conducted to ensure that both Finance and line function are in possession of all valid and signed lease documentation. The exceptions are being dealt with as part of the data clean up and migration and is expected to be completed in 2015/16 financial year.</p>	Yes

Resolution No.	Subject	Details	Response by the Department	Resolved (Yes / No)
c)		There is a move from a manual to an accurate electronic system.	<p>PMTE has implemented an accrual and accounting system that will inter alia also address leases;</p> <p>Management has furthermore identified a need for key operational systems to feed in and support all accounting and reporting requirements. An ERP system which, inter alia, includes a comprehensive Lease Management System has been approved by EXCO and the procurement process is underway.</p> <p>Priority modules for the ERP system which have been identified are; Immovable Assets Register, a Leases module and a Capital Works module. Work plans have been developed and steering committees constituted to oversee the customization and implementation of these modules as soon as possible.</p>	Yes
a)	Investigations	<p>The Committee notes the reported investigations, urges the Accounting Officer to expedite the finalisation of the investigation process and reports to parliament within 30 days after the investigation is completed. In an event that there are transgressions, the Accounting Officer must take corrective measures necessary to recover all and any monies found to have been irregularly expended and remedial action be taken.</p>	<p>The Department is currently expediting the finalization of this investigation. Additional resources in the form of secondments of SIU members to the Department to capacitate the Internal Investigation Unit have been secured for six (6) months to ensure speedy finalization and resolution of these matters.</p> <p>An investigation conducted at the Pretoria Regional Office revealed possible collusion between officials and suppliers. Based on the findings and recommendations of the internal investigation a criminal case has been reported to the SAPS to conduct further investigations with a view of the latter pursuing criminal investigation against the identified parties.</p> <p>The Department has also extended the review / transactions analysis to other identified Regional Offices to detect and investigate similar patterns of inordinate use of sole suppliers and abuse of emergency delegations. The Presidency has also published an extension of Proclamation R38 of 30 July 2010 (GG No 27192 of 30 July 2010) which amongst others covers investigations into manipulation of SCM processes by officials to award contracts to relatives, friends and associates.</p>	

## Prior qualifications to audit reports

Table 3.5 Department of Public Works

	Nature of Emphasis of Matter	FY in which it first arose	Progress made in clearing / resolving the matter
1	Restatement of corresponding figures  As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of errors discovered during the financial year ended 31 March 2015 in the financial statements of the Department of Public Works at, and for the year ended, 31 March 2014.	2013/14	The current year restatement will be done on note 15, Receivables to address the new classification requirements of the revised Modified Cash Standard.
2	Material impairments  As disclosed in note 12 to the financial statements, material impairments to the amount of R52 971 000 were provided for as a result of irrecoverable receivables.	2013/14	The current year balance on impairment is Rxxx (Amount will be confirmed after auditing of the AFS). The reduction is as a result of recovery and write offs.
3	Material underspending of the vote  As disclosed in the appropriation statement, the department has materially underspent the budget on Programme 2: Immovable Asset Management, Sub-Programme 1 - Infrastructure (Public Works) - to the amount of R70 638 000. Consequently, certain planned infrastructure projects were not completed	2013/14	The spending has improved in the year under review with 99.6% (R30.7 million) being spent at the end of the financial year.  Monthly performance reports are being prepared and submitted to the EXCO, and expenditure review meetings takes place quarterly with branches to identify causes for both over and under spending.

Table 3.6 Property Trading Management Entity

	Nature of Emphasis of Matter	FY in which it first arose	Progress made in clearing / resolving the matter
1.	Payables from exchange transactions  The trading entity did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1: Presentation of financial statements. As the entity did not have adequate systems to maintain records of accruals for goods and services received but not yet paid for, payables were understated. I was not able to determine the full extent of the understatement of accruals of R1 526 429 000 (2014: R1 305 338 000) included in payables from exchange transactions stated at R6 110 126 000 (2014: R3 370 421 000) in note 11 to the financial statements as it was impracticable to do so.	2013/14	An updated payables management system has been implemented and training provided to all relevant staff members of the Department. In addition, ordering and procurement modules are being rolled out and will negate the use of manual spreadsheet utilized for the compilation of the annual financial statement inputs.

	Nature of Emphasis of Matter	FY in which it first arose	Progress made in clearing / resolving the matter
2.	<p>Receivables from exchange transactions</p> <p>The trading entity did not recognise all outstanding amounts meeting the definition of revenue accrual in accordance with GRAP 1: Presentation of financial statements. As the entity did not have adequate systems to maintain records of accounts receivables for services rendered but not yet paid for, receivables from exchange transactions were understated. I was not able to determine the full extent of the understatement of revenue accrual of R631 574 000 (2014: R613 852 000) included in receivables from exchange transactions stated at R2 156 652 000 (2014: R1 707 574 000) in note 3 to the financial statements as it was impracticable to do so.</p>	2013/14	An updated payables management system has been implemented and training provided to all relevant staff members of the Department. In addition, ordering and procurement modules are being rolled out and will negate the use of manual spreadsheet utilized for the compilation of annual financial statement inputs.
3.	<p>Operating expenses</p> <p>The trading entity did not recognise property maintenance amounts meeting the definition of expenses in accordance with GRAP 1: Presentation of financial statements. This resulted in operating expenses being understated. I was not able to determine the full extent of the understatement of property maintenance stated at R2 390 455 000 (2014: R2 536 662 000) included in operating expenses stated at R8 273 859 000 (2014: R7 654 294 000) in note 18 to the financial statements as it was impracticable to do so. Consequently, there was a resultant impact on the surplus for the period and accumulated surplus in the financial statements.</p> <p>I was unable to obtain sufficient appropriate audit evidence that property rates paid for the current year were valid due to the properties not being identifiable on the entity's asset register. I was unable to confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R835 257 000 included in operating expenses stated at R8 273 859 000 in note 18 to the financial statements were necessary. Consequently, there was a resultant impact on the surplus for the period and accumulated surplus in the financial statements.</p>	2014/15	<p>All WCS payments for the year are now reviewed by Finance to separate maintenance payments.</p> <p>All payments are reviewed to ensure that Work In Progress and Property, Plant and Equipment are fully compliant with the Standards of GRAP for the year ended 2015/16 in accordance with Directive 2</p>

### Internal Audit and Audit Committees

The objective of Internal Audit is to provide innovative, responsive and effective value add assurance and consulting services by reviewing the adequacy and effectiveness of governance, risk management and control processes and provide recommendations to management on improvements for identified weaknesses. The key activities of the unit are as follows:

- Develop three year rolling and operational risk based plans.
- Conduct the audits as per the approved audit plans and special Management and Audit Committee requests.
- Provide reports with recommendations to improve controls, risk management and governance process where shortfalls have been identified.
- Monitor regularly the implementation of recommendations by Management.

## Summary of audit work done

Three year rolling strategic and operational plans for both Assurance and IT were developed based on the risks of the Department including its Public Entity (PMTE). The plans were presented at Executive meeting and approved by the Audit Committee. Various audits were conducted during the financial year and reports were presented to Management for implementation of recommendations on identified weaknesses. Such reports were further presented at the Audit Committee meetings.

Management actions plans to implement the recommendations in the audit reports were monitored through follow up reviews / monitoring tools. Results were presented to Exco Subcommittee for management to account on actions not implementation.

## Audit Committee

An Audit Committee is an oversight body comprising of external members and its main objective is to provide advice to the Accounting Officer on the adequacy and effectiveness of systems of internal control risk management and governance processes. Some of the key activities included:

- Reviewed compliance with legislation and policies.
- Reviewed performance of the Department ( performance information against set targets) and expenditure against the budget
- Reviewed / evaluated the Annual Financial Statements.
- Oversight on reporting of anti-fraud and corruption.
- Oversight on the effectiveness of Internal Audit Unit
- Reviewed the Auditor General’s Audit plan and fees
- Monitored the implementation of Management Action Plans to correct the identified control weaknesses.

Name	Qualifications	Internal of External Member	Date Appointed	No of meetings attended
1. Mr Zola Luswazi	Bachelor of Accounting Science , CA	External	01/10/2012	9
2. Mr Comfort Bunting	Diploma Internal Audit and Financial Accounting and Masters in Administration	External	01/10/2012	9
3. Mavhungu Ramurunzi	B Proc, and LLB	External	01/10/2012	6
4. Ms Nadira Singh	BComm , ( Hon) , BCompt &CA	External	01/10/2012	8
5. Mr Wally van Heerden	National Diploma Finance	External	01/07/2013	9

## 3.2 AUDIT COMMITTEE REPORT

### DEPARTMENT OF PUBLIC WORKS

(Inclusive of its trading entity the Property Management Trading Entity)

#### 1. REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2016

We are pleased to present our report for the financial year ended 31 March 2016.

#### 2. Audit Committee Members and Attendance

For the year under review, the Department of Public Works (the Department or the Main Vote) and its trading entity; the Property Management Trading Entity (the PMTE) had a fully functional Audit Committee. Collectively; we refer to the Department and the PMTE as the institution. The Committee consist of five (5) Members, all of whom are external to the institution.

##### 2.2 The meetings were attended as follows:

No of members	Name of member	Number of meetings attended
1.	Mr Z Luswazi - Chairperson	9
2	Mr C Bunting	9
3.	Ms N Singh	8
4.	Mr M Ramurunzi	6
5.	Mr J van Heerden	9

#### 3. Audit Committee Responsibility

The Audit Committee has complied with Section 38(1) (a) (ii) of the Public Finance Management Act, Act 1 of 1999 (the PFMA) and Treasury Regulation 3.1 in that the Department has and maintains a system of Internal Audit under the control and direction of the Audit Committee complying with and operating in accordance with regulations and instructions prescribed by the PFMA.

The Committee reports that it has formally adopted a set of Terms of Reference and has duly complied with them.

#### 4. Effectiveness of Internal Control

##### 4.1 Efficiency and effectiveness of the system of internal control

While there has been an overall improvement from prior to current year, the institution remains with a challenge of not maintaining a consistent effective, efficient and transparent system of internal control. As a result, both the completeness of payables and the validity of property rates could not be substantiated during the annual statutory audit. This resulted in the modification of the external audit opinion on these account and transaction balances respectively. The internal control system supporting the institution's performance management system was also not consistently effective throughout the financial year. As a result material misstatements on the reported performance information were noted by the Auditor General.

In relation to prior years; the Committee has noted an improvement on the management of Supply Chain Management processes. The result is that there has been a notable decrease in the rate of occurrence of newly originating irregular expenditure i.e. irregular expenditure occurring and originating in the current year.

#### **4.2 Risk Management**

On a comparable basis, the Risk Management function continues to reflect improvements in relation to prior year. However, the organisational maturity on Risk Management remains to be achieved. The Committee believes that this is a function of the ongoing change management strategy whose ultimate objective is to entrench the culture of the application of Risk Management principles on the day-to-day managerial activities. In the year under review, both the reports of Internal Audit and the Auditor General, have identified a decreasing number of remaining milestones as far as the achievement of optimum risk management level is concerned.

#### **4.3 Annual Financial Statements**

The Department maintained an unqualified audit opinion for the year under review, while the PMTE retained the qualified audit opinion. While the PMTE has maintained a qualified audit opinion, qualitatively however, there has been a notable improvement in relation to prior year upon interrogation of the qualifying areas, outlined in item 5 below.

#### **4.4 Report of the Auditor General**

The level of a healthy robust interaction between the Auditor General and Management continued in the year under review. Management has accepted the audit findings contained in the institution's Management Reports as the basis on which the audit conclusions outlined in the Audit Reports have been reached by the Auditor General. Accordingly, Management is compiling Comprehensive Action Plans to address the shortcomings identified in these reports. The responsibility of the Audit Committee is to confirm the completeness of these Audit Action Plans and more significantly to monitor and appraise their implementation.

Audit Committee accepts the report of the Auditor General.

#### **4.5 Quality of in-year management and monthly / quarterly reports submitted in terms of the PFMA and the Division of Revenue Act**

The Auditor General reports that regular, accurate and complete financial reports that were supported and evidenced by reliable information were not consistently prepared throughout the year. Quarterly financial statements were prepared for the Department. In respect of the PMTE, only the half-yearly financial statements were prepared and these were not in compliance with the requisite G

The Committee is concerned about the manual system currently in use for the compilation of the PMTE statutory (GRAP compliant) financial statements. This is a function of current business processes that led to a negation of the internal control system referred to item 4.1 above. The Committee is aware that Management is presently conceptualising the relevant strategic Information Communication Technology (ICT) interventions / solutions to systematically address this issue in a holistic and sustainable manner. This is one of the key milestones for the 2016/17 financial year; the achievement of which will lead to a simplified yet effective production and compilation of quarterly GRAP compliance financial statements.

The Committee remains critical of the quality of the in-year Performance Management Reports presented to the Audit Committee. Specific recommendations for improvement in this regard have been made to Management throughout the financial year.

## 5. Evaluation of financial statements

As mentioned in item 4.3 above, the Committee is of the view that notwithstanding the qualification of the PMTE's financial statements, that qualitatively, an improvement on the quality and completeness of the PMTE financial statements has been achieved. In the prior year, the PMTE was qualified on the following three major categories of financial statements' headline components:

- The incompleteness of property maintenance accruals and the matching expense.
- The incompleteness of municipal services accruals as well as the matching completeness of revenue accrual given that such municipal services ordinarily would have been recovered as revenue from the relevant client departments.
- The validity of property rates expenditure as they could not be linked to the asset register.

In the year under review the qualifying areas are:

The incompleteness of general and property maintenance accruals and the matching expense categories.

- The validity of property rates expenditure as ownership of the properties in respect of which property rates were paid could not be confirmed.

The milestone achieved in the current year therefore was the resolution of the incompleteness of municipal services accruals and the matching completeness of revenue. As reported by the Auditor General, the Department (the Main Vote) has continued to maintain an unqualified audit report.

The Committee reports that the year under review was the final year of the Directive 2 transitional phase-in vis-à-vis the measurement of Property, Plant and Equipment. Management is on a drive to achieve total GRAP compliance by 31 March 2017.

## 6. Evaluation of the performance management system

On the emphasis of matters, the Auditor General reported on the unreliability of the reported performance information on the Expanded Public Works Programme (EPWP). There were no material findings on the usefulness of the reported performance information.

In respect of the PMTE, the Auditor General identified and reported material misstatements with respect to the reported information on the following programmes: Programme 3: Construction Project Management; Programme 4: Real Estate Management and Programme 6: Facilities Management. These material misstatements related to both the usefulness and the reliability of the reported performance information. In addition and during the course of the year; the Committee had also been concerned about the quality of the in-year Performance Management Reports tabled at Audit Committee meetings.

The Committee concludes that significant and sustainable interventions are required on the quality, reliability and the overall integrity of the Performance Management System at the institution. Given the strategic importance of the Performance Management System at the institution; the Committee is of the view that interventions in this area should be prioritised.

## 7. Internal Audit

The Committee reports that during the year under review, the Internal Audit Unit achieved a number of important milestones. This includes the filling of critical vacancies, continuous improvement in the quality of work performed by the Unit and the Unit beginning to fulfil its strategic role in the Institution.

Challenges facing the Unit going forward include developing in-depth the skills base of existing personnel and the Unit making inroads and further strides on the aspect of (the Unit) fulfilling its strategic role or its core mandate at strategic level within the institution.

## **8. Auditor General South Africa**

The Committee reports that there are no unresolved issues that have been brought to the Committee's attention in the year under review. The Committee further reports that it had robust engagements with the Auditor General wherein all areas of concern were conclusively addressed.

## **9. The Departmental Annual Performance Plan**

The Committee is of the view that adequate and maturing processes for the development of a quality Annual Performance Plan (APP) necessarily reflective of the Organisational Strategic Plan of the institution are in place. The Committee has been involved in this development process fulfilling its oversight role (quality assurance) in the course of the development of the Annual Performance Plan. As indicated above, the Committee is of the view that this process is sufficiently maturing over time.

While there will always be room for improvement to achieve completely SMART (Specific, Measurable, Accurate, Reliable and Timely) Key Performance Indicators and Performance Targets the Annual Performance Plan for the 2016/17 financial year is considered adequate and holistic. The remaining challenge therefore, is the actual execution of the plan when it comes to performance on the ground; accompanied by accurate and sound reporting when it comes to the Performance Management System reporting both on quarterly and annually.

## **10. Other strategic issues**

Committee notes that the skill levels particularly at the PMTE are not at the required level, with a direct impact on service delivery. The report of the Auditor General makes reference to this issue in the Department's (Main Vote) report. The Committee's remark in this regard is that this remains an area of continuous improvement.

## **11. Challenges Ahead**

The Committee believes that the institution has the following key challenges in respect of the 2016/17 financial year:

- Reengineering of the business processes, currently responsible for the identified internal control inadequacies;
- Total compliance with GRAP 17, with particular reference to measurement of property, plant and equipment in the PMTE's accounting records;
- Sustaining further the results of the audit outcomes on Operating Leases;
- Maintaining the downward trend on the occurrence of new Irregular Expenditure and equally working towards the elimination of its occurrence;
- Improvements in the organisational Performance Management System; and
- Further improvement of audit outcomes on the PMTE.

## 12. Overall observation

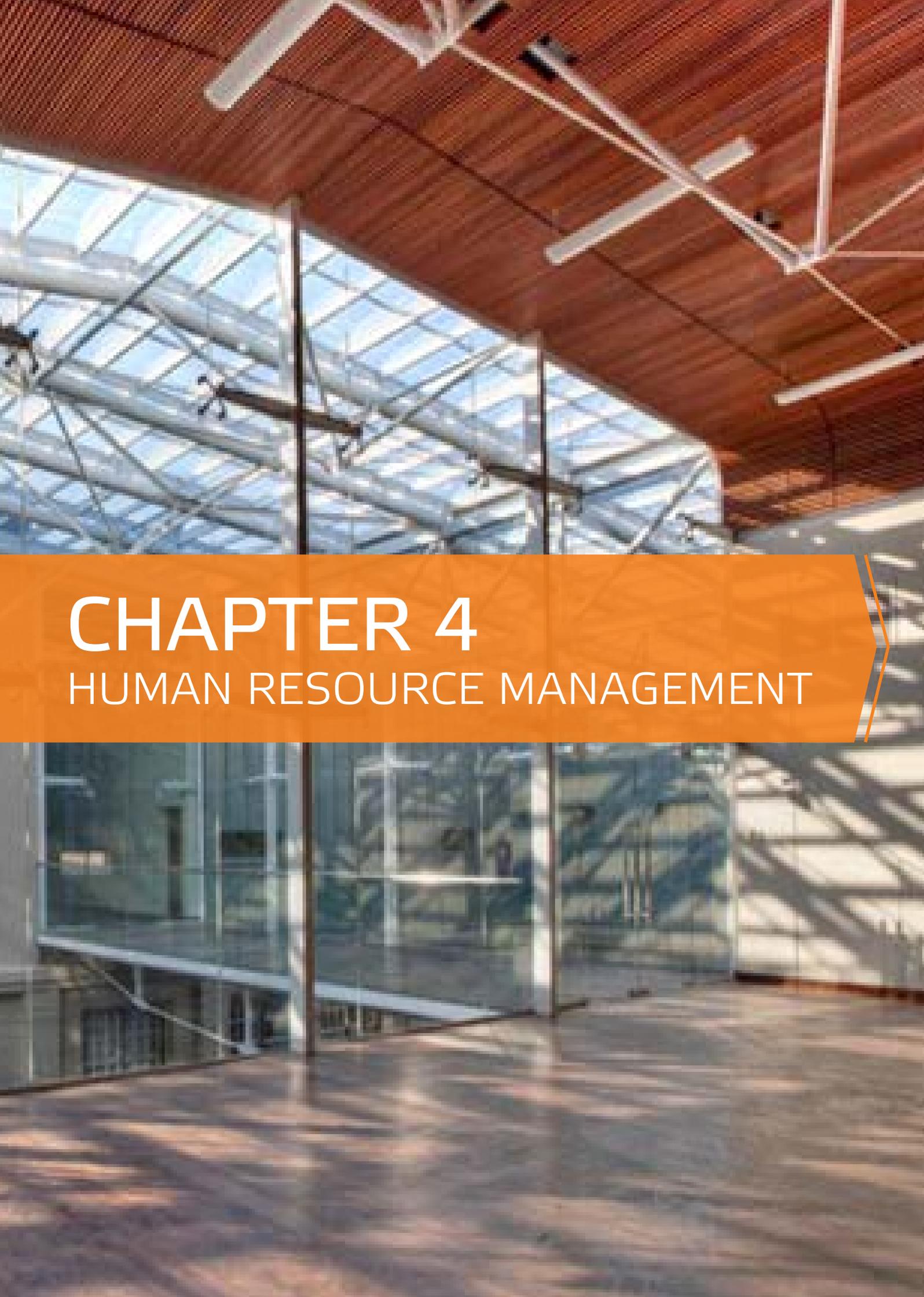
The conclusion of the Committee is that governance is stabilising at the institution (the DPW / Main Vote and the PMTE); however, key strategic challenges remain. In the prior years including the year under review; governance has stabilised in that the institution registered successive unqualified and qualified reports respectively; however substantial improvement in core business processes remains to be achieved. The institution needs to focus more on doing that which it is supposed to do, with an emphasis on how that is achieved. The outcome of the foregoing will be twofold; firstly, realising substantial improvement on delivery on the core organisational mandate and secondly, it will address the remaining internal control shortfalls identified in the body of this report.

A handwritten signature in black ink, appearing to read 'Z Luswazi', enclosed within a large, stylized circular flourish.

Z Luswazi CA (SA)  
Chairperson

Audit Committee  
25 October 2016



The image shows a modern building interior. The upper portion features a ceiling with a grid of wooden panels and recessed lighting fixtures. Below the ceiling is a large glass atrium with a complex metal support structure. The lower portion of the image shows a wooden floor and a glass railing, suggesting a mezzanine or walkway level. The overall atmosphere is bright and architectural.

# CHAPTER 4

## HUMAN RESOURCE MANAGEMENT

## 4.1 INTRODUCTION

The Human Resource unit in the Department plays a critical role in building a team of working professionals. The fundamental functions of the Human Resources unit include structural design, recruiting and training human capital, performance appraisals and employee motivation. In a bid to realize its objectives the Department has, in the period under review revised Human Resource Plan; development and implementation of a Recruitment Plan and a Skills Development Plan for the capacitation of critical areas. The critical areas included units such as – Governance, Risk Management and Compliance, Construction and Property Policy Development, PMTE, Expanded Public Works Programme, Projects and Professional Services and Finance and Supply Chain Management.

Further achievements to date include;

- The Department managed to finalize and commence consultations with relevant stakeholders on proposed organizational structures for both DPW & PMTE.
- The Department has made significant progress in the operationalisation and capacitation of the PMTE through permanent, fixed-term appointments and secondments.
- The Department continued to implement the skills development programme in areas of Young Professionals, Interns, Bursary holders and artisan development programme. The implementation of the retired professionals programme has provided the necessary mentorship and coaching capacity for the skills programmes whilst closing the skills gaps in the professional and technical skills areas.
- The completion of in-sourcing of the security function in Head Office, through the appointment of in-house Security Officers to perform access control, guarding of Head Office Buildings as well as parking sites.

Table 4.1.1 Personnel expenditure by programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Compensation of Employees as % of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Total number of employees per programme
DPW: Administration	480 334	258 274	53,8	44	1103
DPW: Expanded Public Works Programme	1 953 369	134 806	6,9	23	335
DPW: Intergovernmental Coordination	46 015	25 897	56,3	4	52
DPW: Prestige Policy	89 519	15 551	17,4	3	32
DPW: Property & Construction Industry Policy & Research	3 742 985	1 315 041	35,1	2	4548
<b>Total as on Financial Systems (BAS and SAGE)</b>	<b>6 312 222</b>	<b>1 749 569</b>	<b>27,9</b>	<b>75</b>	<b>6070</b>

Expenditure for Compensation of employees indicated against Programme: DPW: Property Construction Industry Policy and Research includes compensation of employees for PMTE. The Programme structure for DPW is different from the Programme Structure of PMTE. PERSAL only allows for one main vote to be attached to an institution therefore the expenditure for DPW and PMTE could not be split on the system. To enable the Department to differentiate between the cost of employees for Department and that of PMTE all employees related to PMTE was seconded on PERSAL. This however resulted in that on the PERSAL system all PMTE is indicated under DPW: Property Construction Industry Policy and Research. The total positions for PMTE will not reflect against the Programme structure of PMTE until the PMTE and DPW is fully split in terms of the approved structure.

Table 4.1.2 Personnel costs by salary band

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Department	Average Compensation Cost per Employee (R'000)	Number of Employees
Lower skilled (Levels 1-2)	137 054	7,8	139	988
Skilled (Levels 3-5)	201 364	11,5	180	1121
Highly skilled production (Levels 6-8)	383 296	21,9	312	1230
Highly skilled supervision (Levels 9-12)	602 405	34,4	580	1039
Senior management (Levels 13-16)	203 004	11,6	1 381	147
Contract (Levels 1-2)	48 778	2,8	48	1022
Contract (Levels 3-5)	22 513	1,3	115	195
Contract (Levels 6-8)	38 191	2,2	225	170
Contract (Levels 9-12)	56 329	3,2	522	108
Contract (Levels 13-16)	45 297	2,6	906	50
Periodical Remuneration	11 327	0,6	7	1625
Abnormal Appointment	12	0,0	4	3
<b>TOTAL</b>	<b>1 749 569</b>	<b>100,0</b>	<b>227</b>	<b>7 698</b>

\* NB number of employees in this table includes filled post as well as periodical and abnormal appointments therefore total employees is calculated as 7698

Table 4.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by programme

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. % of Personnel Cost	Total Personnel Cost per Programme (R'000)
DPW: Administration	232 995	90,2	3 483	1,3	6 652	2,6	4877	1,9	258 274
DPW: Intergovernmental Coordination	96 958	374,4	1 208	4,7	4 761	18,4	5191	20	25 897
DPW: Expanded Public Works Programme	108 622	80,6	4	0	4 759	3,5	3120	2,3	134 806
DPW: Property & Construction Industry Policy Research	890 655	67,7	17 901	1,4	4 9345	3,8	52426	4	1 315 041
DPW: Prestige Policy	9 297	59,8	179	1,2	332	2,1	309	2	15 551
<b>TOTAL</b>	<b>1 338 527</b>	<b>76,5</b>	<b>22 775</b>	<b>1,3</b>	<b>65 849</b>	<b>3,8</b>	<b>65923</b>	<b>3,8</b>	<b>1 749 569</b>

Table 4.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by salary band

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost	Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
Lower skilled (Levels 1-2)	87 928	64,2	1649	1,2	12476	9,1	14127	10,3	137 054
Skilled (Levels 3-5)	128 921	64	9064	4,5	14295	7,1	14750	7,3	201 364
Highly skilled production (Levels 6-8)	276 036	72	7147	1,9	14910	3,9	18678	4,9	383 296
Highly skilled supervision (Levels 9-12)	467 173	77,6	2874	0,5	14172	2,4	15057	2,5	602 405
Senior management (Levels 13-16)	163 261	80,4	39	0	8661	4,3	3053	1,5	203 004
Contract (Levels 1-2)	49 024	100,5	12	0	0	0	0	0	48 778
Contract (Levels 3-5)	21 328	94,7	1240	5,5	0	0	0	0	22 513
Contract (Levels 6-8)	37 620	98,5	417	1,1	14	0	31	0,1	38 191
Contract (Levels 9-12)	54 176	96,2	334	0,6	545	1	98	0,2	56 329
Contract (Levels 13-16)	42 660	94,2	0	0	775	1,7	129	0,3	45 297
Periodical Remuneration	10 386	91,7	0	0	0	0	0	0	11 327
Abnormal Appointment	12	100,8	0	0	0	0	0	0	12
<b>TOTAL</b>	<b>1 338 525</b>	<b>76,5</b>	<b>22776</b>	<b>1,3</b>	<b>65848</b>	<b>3,8</b>	<b>65923</b>	<b>3,8</b>	<b>1 749 569</b>

## 4.2. EMPLOYMENT AND VACANCIES

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:

- programme
- salary band
- critical occupations

Table 4.2.1 Employment and vacancies by programme

Programme	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
DPW Administration	1157	1103	54	4,7	804
DPW: Intergovernmental Coordination	55	52	3	5,5	12
DPW Expanded Public Works Programme	386	335	51	13,2	130
DPW Prop & Cons Indus Policy Research	5517	4548	969	17,6	597
DPW: Prestige Policy	53	32	21	39,6	2
<b>TOTAL</b>	<b>7168</b>	<b>6070</b>	<b>1098</b>	<b>15,3</b>	<b>1545</b>

Table 4.2.2 Employment and vacancies by salary band

Salary Band	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Lower skilled (Levels 1-2), Permanent	1275	988	287	12,49	0
Skilled (Levels 3-5), Permanent	1277	1121	156	10,60	0
Highly skilled production (Levels 6-8), Permanent	1577	1230	347	19,86	0
Highly skilled supervision (Levels 9-12), Permanent	1314	1039	275	19,34	0
Senior management (Levels 13-16), Permanent	180	147	33	14,35	0
Contract (Levels 1-2), Permanent	1022	1022	0	0,00	1022
Contract (Levels 3-5), Permanent	195	195	0	0,00	195
Contract (Levels 6-8), Permanent	170	170	0	0,00	170
Contract (Levels 9-12), Permanent	108	108	0	0,00	108
Contract (Levels 13-16), Permanent	50	50	0	0,00	50
<b>TOTAL</b>	<b>7168</b>	<b>6070</b>	<b>1098</b>	<b>12,60</b>	<b>1545</b>

Table 4.2.3 Employment and vacancies by critical occupations

Critical Occupations	Number of Posts	Number of Posts Filled	Number of Posts Vacant	Vacancy Rate	Number of Posts Filled Additional to the Establishment
Architects town and traffic planners	54	43	11	20,37	10
Chemical and physical science technicians	10	9	1	10,00	0
Civil engineering technicians	17	17	0	0,00	9
Electrical and electronics engineering technicians	13	6	7	53,85	2
Engineering sciences related	107	82	25	23,36	6
Engineers and related professionals	215	139	76	35,35	14
Mechanical engineering technicians	18	4	14	77,78	1
Quantity surveyors & related prof not class elsewhere	39	28	11	28,21	1
<b>TOTAL</b>	<b>473</b>	<b>328</b>	<b>145</b>	<b>248,92</b>	<b>43</b>

### 4.3. JOB EVALUATION

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

Table 4.3.1 Job Evaluation

Salary Band	Number of Posts	Number of posts Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	Number of Posts Downgraded	% of Downgraded Posts Evaluated
Lower skilled (Levels 1-2)	1275	0	0	0	0	0	0
Contract (Levels 1-2)	1022	0	0	0	0	0	0
Contract (Levels 3-5)	195	0	0	0	0	0	0
Contract (Levels 6-8)	170	0	0	0	0	0	0
Contract (Levels 9-12)	108	0	0	0	0	0	0
Contract (Band A)	30	0	0	0	0	0	0
Contract (Band B)	7	0	0	0	0	0	0
Contract (Band C)	12	0	0	0	0	0	0
Contract (Band D)	1	0	0	0	0	0	0
Skilled (Levels 3-5)	1277	33	2,6	33	100	0	0
Highly skilled production (Levels 6-8)	1577	2	0,1	1	50	0	0
Highly skilled supervision (Levels 9-12)	1314	13	1	4	30,8	0	0
Senior Management Service Band A	118	0	0	0	0	0	0
Senior Management Service Band B	49	0	0	0	0	0	0
Senior Management Service Band C	10	0	0	0	0	0	0
Senior Management Service Band D	3	0	0	0	0	0	0
<b>TOTAL</b>	<b>7168</b>	<b>48</b>	<b>0,7</b>	<b>38</b>	<b>79,2</b>	<b>0</b>	<b>0</b>

The following table provides a summary of the number of employees whose positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

Table 4.3.2 Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Female	18	0	1	1	20
Male	9	0	0	0	9
Total	27	0	1	1	29
Employees with a Disability	0	0	0	0	0

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 4.3.3 Employees with salary levels higher than those determined by job evaluation by occupation

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	No of Employees in Department
None	0	0	0	0	0
None	0	0	0	0	0
Total	0	0	0	0	0
Percentage of Total Employment	0	0	0	0	0

The following table summarizes the beneficiaries of the above in terms of race, gender, and disability.

Table 4.3.4 Profile of employees who have salary levels higher than those determined by job evaluation

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a Disability	0	0	0	0	0

## 4.4. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band and critical occupations.

Table 4.4.1 Annual turnover rates by salary band

Salary Band	Employment at Beginning of Period (April 2015)	Appointments	Terminations	Turnover Rate %
Lower skilled (Levels 1-2)	1639	868	532	32,5
Skilled (Levels 3-5)	1270	98	118	9,3
Highly skilled production (Levels 6-8)	1366	57	61	4,5
Highly skilled supervision (Levels 9-12)	1063	68	50	4,7
Senior Management Service Band A	155	11	11	7,1
Senior Management Service Band B	47	1	2	4,3
Senior Management Service Band C	13	5	0	0
Senior Management Service Band D	4	0	0	0
<b>TOTAL</b>	<b>5557</b>	<b>1108</b>	<b>774</b>	<b>13,9</b>

Table 4.4.2 Annual turnover rates by critical occupation

Occupation	Employment at Beginning of Period (April 2015)	Appointments	Terminations	Turnover Rate %
Architects town and traffic planners				
Architects town and traffic planners	40	4	2	5
Chemical and physical science technicians,	9	0	1	11,1
Civil engineering technicians	10	4	1	10
Electrical and electronics engineering technicians	14	2	11	78,6
Engineering sciences related	86	1	6	7
Engineers and related professionals	152	7	9	5,9
Mechanical engineering technicians	3	1	0	0
Quantity surveyors & related prof not class elsewhere,	26	2	1	3,8
TOTAL	340	21	31	9,1

## Notes

The CORE classification, as prescribed by the DPSA, should be used for completion of this table. The table below identifies the major reasons why staff left the department.

Table 4.4.3 Reasons why staff left the department

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment
Death	37	4,8	0,7
Resignation	172	22,2	3,1
Expiry of contract,	452	58,4	8,1
Transfers	1	0,1	0
Discharged due to ill health	11	1,4	0,2
Dismissal-misconduct	4	0,5	0,1
Retirement,	97	12,5	1,7
TOTAL	774	100	13,9
Terminations as % of Employment			13,9

Table 4.4.4 Promotions by critical occupation

Occupation	Employment at Beginning of Period (April 2015)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Architects town and traffic planners	40	1	2,5	17	42,5
Chemical and physical science technicians	9	0	0	3	33,3
Civil engineering technicians	10	0	0	4	40
Electrical and electronics engineering technicians	14	0	0	1	7,1
Engineering sciences related	86	0	0	59	68,6
Engineers and related professionals	152	1	0,7	104	68,4
Mechanical engineering technicians	3	0	0	1	33,3
Quantity surveyors & related prof not class elsewhere	26	1	3,8	20	76,9
TOTAL	340	3	0,9	209	61,5

Table 4.4.5 Promotions by salary band

Salary Band	Employment at Beginning of Period (April 2015)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower skilled (Levels 1-2)	1639	0	0	868	53
Skilled (Levels 3-5)	1270	14	1,1	1168	92
Highly skilled production (Levels 6-8)	1366	42	3,1	1050	76,9
Highly skilled supervision (Levels 9-12)	1063	49	4,6	711	66,9
Senior management (Levels 13-16)	219	4	1,8	106	48,4
TOTAL	5557	109	2	3903	70,2

## 4.5. EMPLOYMENT EQUITY

Table 4.5.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Officials And Managers	76	2	3	13	43	2	5	6	150
Professionals	249	30	22	94	277	10	1	22	705
Technicians And Associate Professional	537	22	9	42	810	37	13	67	1537
Clerks	325	30	8	24	540	26	10	71	1034
Service Shop And Market Sales Worker	114	4		3	66	1	0	0	188
Craft And Related Trade Workers	123	44	9	59	28	1	0	0	264
Plant And Machine Operators And Ass	45	8	3		27	1	0	0	84
Labourers And Related Workers	684	208	7	12	1069	123	2	3	2108
TOTAL	2153	348	61	247	2860	201	31	169	6070
Employees with disabilities	22	9	1	17	11	2	1	5	68

Table 4.5.2 Total number of employees (including employees with disabilities) in each of the following occupational bands on 31 March 2016

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management, Permanent	5	1	0	1	1	0	1	0	9
Senior Management, Permanent	70	1	3	8	45	2	4	5	138
Professionally qualified and experienced specialists and mid-management, Permanent	394	35	23	106	319	12	4	43	936
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	471	194	6	16	362	70	1	1	1121
Semi-skilled and discretionary decision making, Permanent	402	68	11	82	608	37	12	113	1333
Unskilled and defined decision making, Permanent	288	38	4	2	593	59	2	2	988
Contract (Top Management), Permanent	4		2	2	2		2	1	13
Contract (Senior Management), Permanent	20		1	5	11				37
Contract (Professionally qualified), Permanent	39	2	8	21	28	2	1	2	103
Contract (Skilled technical), Permanent	82			1	110	2			195
Contract (Semi-skilled), Permanent	61		1	2	105	2	3	1	175
Contract (Unskilled), Permanent	317	9	2	1	676	15	1	1	1022
TOTAL	2153	348	61	247	2860	201	31	169	6070

Table 4.5.3 Recruitment

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management,	2	0	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management,	6	0	0	0	8	0	0	0	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen,	3	0	0	0	3	0	0	0	6
Semi-skilled and discretionary decision making	5	0	0	0	0	0	0	0	5
Unskilled and defined decision making,	6	3	0	0	18	3	0	0	30
Contract (Senior Management)	5	0	2	0	6	0	1	1	15
Contract (Professionally qualified)	24	0	3	11	13	0	2	1	54
Contract (Skilled technical)	13	0	1	0	36	0	1	0	51
Contract (Semi-skilled),	45	0	0	1	47	0	0	0	93
Contract (Unskilled)	280	11	2	1	521	22	1	0	838
<b>TOTAL</b>	<b>389</b>	<b>14</b>	<b>8</b>	<b>13</b>	<b>652</b>	<b>25</b>	<b>5</b>	<b>2</b>	<b>1108</b>

Table 4.5.4 Promotion (Includes promotion to salary level and progressions to another notch within the Salary Level)

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	24	5	10	42	12	3	0	9	105
Professionally qualified and experienced specialists and mid-management	324	34	15	67	265	10	6	27	748
Skilled technical and academically qualified workers, junior management, supervisors, foremen	297	53	4	59	510	32	9	96	1060
Semi-skilled and discretionary decision making	533	233	4	20	319	68	1	3	1181
Unskilled and defined decision making	287	37	5	4	492	38	2	1	866
Contract (Senior Management)	0	0	0	4	1	0	0	0	5
Contract (Professionally qualified)	3	1	0	1	7	0	0	0	12
Contract (Skilled technical)	11	0	0	0	18	2	0	1	32
Contract (Semi-skilled)	1	0	0	0	0	0	0	0	1
Contract (Unskilled),	0	0	0	0	2	0	0	0	2
<b>TOTAL</b>	<b>1480</b>	<b>363</b>	<b>38</b>	<b>197</b>	<b>1626</b>	<b>153</b>	<b>18</b>	<b>137</b>	<b>4012</b>
Employees with disability	22	10	0	15	9	2	1	3	62

Table 4.5.5 Terminations

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management	0	0	0	5	5	0	0	0	10
Professionally qualified and experienced specialists and mid-management	15	3	1	7	8	0	1	1	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen	13	3	0	4	14	0	0	8	42
Semi-skilled and discretionary decision making	58	13	0	4	27	7	0	1	110
Unskilled and defined decision making,	16	0	0	0	21	5	0	0	42
Contract (Senior Management)	1	1	0	0	1	0	0	0	3
Contract (Professionally qualified)	6	0	0	1	7	0	0	0	14
Contract (Skilled technical)	8	1	0	0	10	0	0	0	19
Contract (Semi-skilled)	1	0	0	0	5	1	1	0	8
Contract (Unskilled)	167	8	0	1	290	23	1	0	490
TOTAL	285	29	1	22	388	36	3	10	774
Employees with disabilities	5	0	0	1	4	0	0	0	10

Table 4.5.6 Disciplinary action

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
TOTAL	49	5	1	3	28	0	0	4	90

Table 4.5.7 Skills development

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	60	4	8	7	60	5	5	6	155
Professionals	252	43	7	73	264	27	12	27	705
Technicians and Associate Professionals	26	1	0	1	39	2	0	0	69
Clerks	207	5	3	25	444	21	3	27	735
Service and Sales Workers	17	1	0	0	13	1	0	0	32
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0	0
Craft and related Trades Workers	32	7	0	0	7	0	0	0	46
Plant and Machine Operators and Assemblers	5	0	0	0	4	0	0	0	9
Elementary Occupations	89	41	0	0	19	41	0	1	191
TOTAL	688	102	18	106	850	97	20	61	1942
Employees with disabilities	8	0	0	2	13	0	0	1	24

## 4.6. PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability), salary bands and critical occupations.

Table 4.6.1 Performance Rewards by race, gender and disability

Demographics	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	1417	2860	49,5	8 201	5 787
African, Male	1124	2153	52,2	7 037	6 260
Asian, Female	17	31	54,8	147	8 629
Asian, Male	30	61	49,2	335	11 154
Coloured, Female	147	201	73,1	755	5 135
Coloured, Male	252	348	72,4	1 273	5 050
Total Blacks, Female	1581	3092	51,1	9 102	5 757
Total Blacks, Male	1406	2562	54,9	8 644	6 148
White, Female	130	169	76,9	1 349	10 378
White, Male	140	247	56,7	1 709	12 208
Employees with a disability	40	68	58,8	246	6 141
TOTAL	3297	6070	54,3	21 050	6 385

Table 4.6.2 Performance Rewards by salary band for personnel below Senior Management Service

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R'000)
Lower skilled (Levels 1-2)					
Lower skilled (Levels 1-2)	771	988	78	2 004	2 599
Skilled (Levels 3-5)	963	1121	85,9	3 141	3 262
Highly skilled production (Levels 6-8)	879	1230	71,5	6 223	7 080
Highly skilled supervision (Levels 9-12)	669	1039	64,4	9 521	14 232
Contract (Levels 1-2)	0	1022	0	0	0
Contract (Levels 3-5)	0	195	0	0	0
Contract (Levels 6-8)	8	170	4,7	64	8 000
Contract (Levels 9-12)	7	108	6,5	97	13 857
Periodical Remuneration	0	1625	0	0	0
Abnormal Appointment	0	3	0	0	0
TOTAL	3297	7501	44	21 050	6385

Table 4.6.3 Performance Rewards by critical occupation

Critical Occupations	Number of Beneficiaries	Total Employment	% of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R'000)
Architects town and traffic planners	22	42	52,4	366	16 636
Chemical and physical science technicians	6	9	66,7	43	7 167
Civil engineering technicians	9	18	50	81	9 000
Engineering sciences related	62	82	75,6	969	15 629
Engineers and related professionals	65	137	47,4	999	15 369
Mechanical engineering technicians	1	4	25	18	18 000
Quantity surveyors & related prof not class elsewhere	12	28	42,9	185	15 417
<b>TOTAL</b>	<b>177</b>	<b>320</b>	<b>55,3</b>	<b>2661</b>	<b>15 034</b>

Notes

The CORE classification, as prescribed by the DPSA, should be used for completion of this table.

Table 4.6.4 Performance related rewards (cash bonus), by salary band for Senior Management Service

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R'000)	% of SMS Wage Bill
Band A	0	0	0	0	0	0
Band B	0	0	0	0	0	0
Band C	0	0	0	0	0	0
Band D	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

No SMS was paid performance rewards. The two SMS reflected in the table were promoted from Deputy Director to Director during the 2014/2015 financial year and received their performance awards (on DD Level) after promotion to Director.

## 4.7. FOREIGN WORKERS

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

Table 4.7.1 Foreign workers by salary band

Salary Band	1 April 2015		31 March 2016		Change	
	Number	%age of Total	Number	% of Total	Number	% Change
Lower skilled (Levels 1-2)	1	7,1	1	6,3	0	0
Highly skilled supervision (Levels 9-12)	6	42,9	7	43,8	1	50
Senior management (Levels 13-16)	2	14,3	2	12,5	0	0
Contract (Levels 3-5)	1	7,1	1	6,3	0	0
Contract (Levels 9-12)	3	21,4	4	25	1	50
Contract (Levels 13-16)	1	7,1	1	6,3	0	0
<b>TOTAL</b>	<b>14</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>2</b>	<b>100</b>

Table 4.7.2 Foreign workers by major occupation

Major Occupation	1 April 2015		31 March 2016		Change	
	Number	%age of Total	Number	% of Total	Number	% Change
Administrative office workers	0	0	2	12,5	2	100
Elementary occupations	2	14,3	2	12,5	0	0
Professionals and managers	12	85,7	12	75	0	0
<b>TOTAL</b>	<b>14</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>2</b>	<b>100</b>

## 4.8. LEAVE UTILISATION

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 4.8.1 Sick leave

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Number of days with Medical Certification
Lower skilled (Levels 1-2)	4595	82	640	16,7	7	2 015	3767
Skilled (Levels 3-5)	5239	79,5	730	19	7	2 991	4166
Highly skilled production (Levels 6-8)	6955	71	999	26	7	7 700	4935
Highly skilled supervision (Levels 9-12)	4579	73,1	716	18,7	6	9 980	3346
Senior management (Levels 13-16)	1008	78,5	143	3,7	7	3 412	791
Contract (Levels 1-2)	1288	60	354	9,2	4	266	773
Contract (Levels 3-5)	302	63,9	76	2	4	132	193
Contract (Levels 6-8)	581	57,7	110	2,9	5	537	335
Contract (Levels 9-12)	238	73,1	51	1,3	5	547	174
Contract (Levels 13-16)	71	70,4	20	0,5	4	279	50
<b>TOTAL</b>	<b>24856</b>	<b>74,5</b>	<b>3839</b>	<b>100</b>	<b>6</b>	<b>27 859</b>	<b>18530</b>

Table 4.8.2 Disability leave (temporary and permanent)

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of Employees
Lower skilled (Levels 1-2)	1152	100	30	25,4	38	511	1152
Skilled (Levels 3-5)	958	100	28	23,7	34	562	958
Highly skilled production (Levels 6-8)	1021	100	30	25,4	34	1 107	1021
Highly skilled supervision (Levels 9-12)	636	100	22	18,6	29	1 392	636
Senior management (Levels 13-16)	151	100	6	5,1	25	507	151
Contract (Levels 6-8)	31	100	1	0,8	31	22	31
Contract (Levels 9-12)	5	100	1	0,8	5	10	5
TOTAL	3954	100	118	100	34	4 111	3954

The table below summarizes the utilization of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 4.8.3 Annual Leave

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Lower skilled (Levels 1-2)	21631,84	22	1002
Skilled (Levels 3-5)	30206,84	25	1228
Highly skilled production (Levels 6-8)	31157	24	1298
Highly skilled supervision (Levels 9-12)	24254,25	24	1016
Senior management (Levels 13-16)	5711	25	229
Contract (Levels 1-2)	8252,36	10	818
Contract (Levels 3-5)	1615	11	152
Contract (Levels 6-8)	2533,76	15	173
Contract (Levels 9-12)	1360	14	97
Contract (Levels 13-16)	650	14	46
TOTAL	127372,05	21	6059

Table 4.8.4 Capped leave

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2015	Number of Employees who took Capped leave
Lower skilled (Levels 1-2)	5	5	37	1
Skilled (Levels 3-5)	147	4	59	33
Highly skilled production (Levels 6-8)	234	11	36	22
Highly skilled supervision (Levels 9-12)	39	3	54	14
Senior management (Levels 13-16)	54	7	55	8
TOTAL	479	6	52	78

The following table summarise payments made to employees as a result of leave that was not taken.

Table 4.8.5 Leave pay-outs

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Capped leave pay-outs on termination of service for 2014/15	8 950	269	33 271
Current leave pay-outs on termination of service for 2014/15	2 055	150	13 700
<b>TOTAL</b>	<b>11 005</b>	<b>419</b>	<b>26 265</b>

## 4.9. HIV/AIDS & HEALTH PROMOTION PROGRAMMES

Table 4.9.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Workers in the construction industry are relatively at risk. Migratory labour force and labour camps commonly employed by the industry contributes to the spread of HIV and STI in the industry and the communities in which it does business.	As custodian and main player in the construction sector, the National Department of Public Works (DPW) developed an HIV/AIDS Strategy for the construction sector to protect and support the industry's workforce

Table 4.9.2 Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	Yes		Mr RM Mahlatjje: Director: Organisational Development
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		Health & Wellness (HIV Advocacy and EHW. Fifteen staff members. (Budget = R650 000.00pa excluding compensation budget)
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	Yes		Responsive Programs Addressing psycho-social health and wellness issues are in place
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	Yes		A department-wide committee constituted by HR representatives from 11 regional offices established.
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	Yes		The departmental HIV and AIDS Policy are articulate on issues of human rights and fair labor practices.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	Yes		Stigma Mitigation programme is in place. Key elements include:- Knowledge, Attitudes and Practices surveys; Dialogues and Peer education.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Yes		The department collaborates with GEMS and NGOs in providing on-site opportunities for health screening, HIV Counseling and Testing and TB screening. screenings for glucose, cholesterol and blood pressure conducted. 1559 HIV Counselling and Testing done.

8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		Utilization rate of Health and Wellness services. - Number of employees attending wellness events. - Number of wellness events, workshops and training conducted. - Sick leave utilization (reduction). - Number of employees living openly with HIV
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## 4.10. LABOUR RELATIONS

Table 4.10.1 Collective agreements

Subject Matter	Date
None	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 4.10.2 Misconduct and disciplinary hearings finalized

Outcomes of disciplinary hearings	Number	Percentage (%) of Total	Total
Dismissals	6	7	6
Suspension	14	16	14
Demotion	2	1,8	2
Final written warnings	21	23	21
Written warnings	34	38	34
Verbal Written Warning	12	13	12
Not guilty	1	0,9	1
<b>TOTAL</b>	<b>90</b>	<b>100</b>	<b>90</b>

Table 4.10.3 Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of Total	Total
Bribes or commits fraud, corruption and Nepotism	3	3	3
Theft	2	1,8	2
Absent from work without reason or permission	13	14	13
Failure to comply with policies/ procedures, unauthorised, irregular, fruitless and wasteful expenditure	6	7	6
Displayed disrespectful, disgraceful and unacceptable behavior	6	7	6
Assault or attempted assault	1	0,9	1
Misuse, abuse or unauthorized use of state property	10	11	10
Causing damages to state property	2	1,8	2
Negligence / Dereliction of duties	18	20	18
Failure to carry out lawful instruction/ insubordination	13	14	13
Being in possession of drugs, drinking on duty or under the influence of intoxicating substance	4	3,6	4
Ineffective and poor work management	5	5,5	5
Contravention of the leave policy/ directive and the Code of Conduct for the Public Service	6	7	6
Victimization of employees	1	0,9	1
<b>TOTAL</b>	<b>90</b>	<b>100</b>	<b>90</b>

Table 4.10.4 Grievances logged

Number of grievances addressed	Number	% of Total	Total
Not resolved	16	23,8	16
Resolved	51	76,1	51
TOTAL	67	100	67

Table 4.10.5 Disputes logged

Number of disputes addressed	Number	% of total	Number
Upheld	3	33	3
Dismissed	6	67	6
Total	9	100	9

Table 4.10.6 Strike actions

Strike Actions	
Total number of person working days lost	0
Total cost(R') of working days lost	0
Amount (R') recovered as a result of no work no pay	0

Table 4.10.7 Precautionary suspensions

Precautionary Suspensions	
Number of people suspended	0
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	0
Cost (R') of suspensions	0

## 4.11. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

Table 4.11.1 Training needs identified

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training (Young Professionals, Management Trainees, Skills Development Learners and Interns)	Total
Legislators, senior officials and managers	Female	56	142	129	271
	Male	94	61	45	106
Professionals	Female	310	223	235	458
	Male	395	168	54	222
Technicians and associate professionals	Female	927	72	65	137
	Male	610	45	37	82
Clerks	Female	647	237	261	498
	Male	387	130	128	258
Service and sales workers	Female	67	21	18	39
	Male	121	10	15	25
Skilled agriculture and fishery workers	Female	0	0	0	0
	Male	0	0	0	0
Legislators, senior officials and managers	Female	29	5	5	10
	Male	233	20	25	45

Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training (Young Professionals, Management Trainees, Skills Development Learners and Interns)	Total
Plant and machine operators and assemblers	Female	28	8	5	13
	Male	56	12	7	19
Elementary occupations	Female	1197	52	48	100
	Male	913	48	136	184
Gender sub totals	Female	3261	760	766	1526
	Male	2809	494	447	941
<b>TOTAL</b>		<b>6070</b>	<b>1254</b>	<b>1213</b>	<b>2467</b>

Table 4.11.2 Training provided for the period

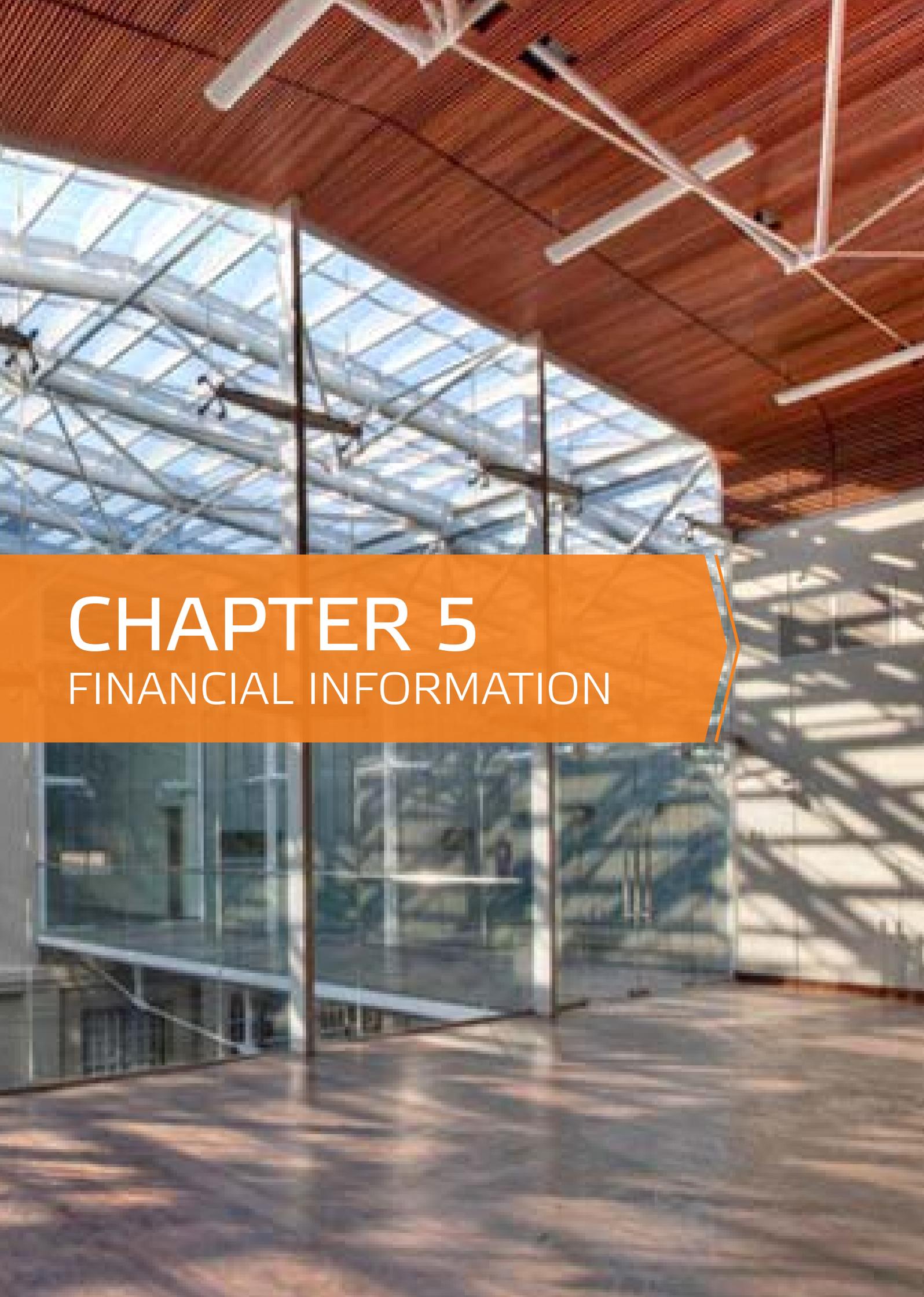
Occupational Categories	Gender	Employment	Skills Programmes & other short courses	Other forms of training (Young Professionals, Management Trainees, Skills Development Learners and Interns)	Total
Legislators, senior officials and managers	Female	56	37	39	76
	Male	94	41	38	79
Professionals	Female	310	156	191	347
	Male	395	143	234	377
Technicians and associate professionals	Female	927	266	24	290
	Male	610	165	12	177
Clerks	Female	647	494	277	771
	Male	387	223	134	357
Service and sales workers	Female	67	5	8	13
	Male	121	7	12	19
Skilled agriculture and fishery workers	Female	0	0	0	0
	Male	0	0	0	0
Craft and related trades workers	Female	29	65	5	70
	Male	233	87	22	109
Plant and machine operators and assemblers	Female	28	3	1	4
	Male	56	4	1	5
Elementary occupations	Female	1197	25	65	90
	Male	913	38	133	171
Gender sub totals	Female	3261	1051	610	1661
	Male	2809	708	616	1324
<b>TOTAL</b>		<b>6070</b>	<b>1759</b>	<b>1226</b>	<b>2985</b>

## 4.12. INJURY ON DUTY

The following tables provide basic information on injury on duty.

Table 4.12.1 Injury on duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	29	90,6
Temporary Total Disablement	2	6,3
Permanent Disablement	0	0
Fatal	1	3,1
<b>TOTAL</b>	<b>32</b>	<b>100</b>

A photograph of a modern building's interior. The ceiling is made of dark wood panels with recessed lighting. Large glass windows and doors are visible, reflecting the sky and the building's structure. The floor is a light-colored, textured material. An orange banner is overlaid on the image, containing the chapter title.

# CHAPTER 5

## FINANCIAL INFORMATION

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# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO.

## 11: Department of Public Works

### Report on the financial statements

#### Introduction

1. I have audited the financial statements of the Department of Public Works set out on pages 180 to 183, which comprise the appropriation statement, the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Modified Cash Standard prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Works as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the Modified Cash Standard prescribed by the National Treasury and the requirements of the PFMA and DoRA.

### **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Restatement of corresponding figures**

8. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during the financial year 31 March 2016 in the annual financial statements of the Department of Public Works at, and for the year ended, 31 March 2015.

### **Additional matter**

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited supplementary schedules**

10. The supplementary information set out on pages 90 to 97 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon

### **Report on other legal and regulatory requirements**

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading; but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on thereon.

### **Predetermined objectives**

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2016:
- Programme 2: Intergovernmental coordination on page 62
  - Programme 3: Expanded public works programme (EPWP) on pages 63 to 64
  - Programme 4: Property and construction industry policy regulation on pages 65 to 66.
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. The material findings in respect of the selected programmes are as follows:

## PROGRAMME 3: EXPANDED PUBLIC WORKS PROGRAMME

### Reliability of reported performance information

16. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not reliable when compared to the source information or evidence provided by public bodies.

## PROGRAMME 2: INTERGOVERNMENTAL COORDINATION

## PROGRAMME 4: PROPERTY AND CONSTRUCTION INDUSTRY POLICY REGULATION

17. I did not identify any material findings on the usefulness and reliability of the reported performance information for programme 2: Intergovernmental coordination, and programme 4: Property and construction industry policy regulation.

### Additional matters

18. I draw attention to the following matters:

#### Achievement of planned targets

19. Refer to the annual performance report on pages 60 to 68 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on reliability of the reported performance information in paragraph 16 of this report.

#### Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2: Intergovernmental coordination; programme 3: Expanded public works programme (EPWP); and programme 4: Property and construction industry policy regulation. As management subsequently corrected only some of the misstatements, we raised material findings on the reliability of the reported performance information

#### Unaudited supplementary schedules

21. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

#### Compliance with legislation

22. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

#### Financial statements

23. The financial statements submitted for auditing were not fully prepared in accordance with the Modified Cash Standard prescribed by the National Treasury, as required by section 40(1)(b) of the PFMA and treasury regulation 18.2. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

24. Steps taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1, were in certain instances not effective.

### **Internal control**

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

### **Leadership**

26. Leadership was not successful in addressing the high vacancy rate at senior management level.

### **Financial and performance management**

27. Proper record keeping was not always implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available from public bodies to support performance reported by the department.
28. Regular, accurate and complete financial and performance reports were not always supported and evidenced by reliable information.
29. The review and monitoring of compliance with applicable legislation were ineffective in certain instances.

### **Governance**

30. Leadership must continue to focus on expanding capacity in the risk management and internal audit units to ensure optimal functioning to address risks and internal control deficiencies across all locations within the department.

### **Other reports**

31. I draw attention to the following engagements that could potentially impact on the department's financial, performance and compliance related matters. My opinion is not modified in respect of the engagements that are either in progress or have been completed.

### **Investigations**

32. Numerous allegations, mainly relating to transgressions with regard to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigating Unit and the Governance, Risk and Compliance unit of the department

*Auditor General*

Pretoria  
31 July 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**APPROPRIATION STATEMENT**  
for the year ended 31 March 2016

Appropriation per programme									
Voted funds and Direct charges	Adjusted Appropriation	Shifting of Funds	2015/16			Variance	Expenditure as % of final appropriation	2014/15	
			R'000	R'000	R'000			Final Appropriation	Actual Expenditure
Programme	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration	477,346	-	2,988	480,334	479,150	1,184	99.8%	620,404	615,939
2. Intergovernmental Coordination	45,723	-	292	46,015	44,747	1,268	97.2%	26,719	26,719
3. Expanded Public Works Programme	1,953,369	-	-	1,953,369	1,939,909	13,460	99.3%	1,946,480	1,925,580
4. Property and Construction Industry Policy Research	3,742,962	-	23	3,742,985	3,735,387	7,598	99.8%	3,342,207	3,268,292
5. Prestige Policy	92,822	-	(3,303)	89,519	81,954	7,565	91.5%	185,510	185,508
<b>Subtotal</b>	<b>6,312,222</b>	-	-	<b>6,312,222</b>	<b>6,281,147</b>	<b>31,075</b>	<b>99.5%</b>	<b>6,121,320</b>	<b>6,022,038</b>
<b>Reconciliation with statement of financial performance</b>									
<b>ADD</b>									
Departmental receipts				7,106				16,132	
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>6,319,328</b>				<b>6,137,452</b>	
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>6,281,147</b>				<b>6,022,038</b>

The department restated programme 1,2,4 and 5 2014/15 figures to align them to the new programme budget structure

Appropriation per economic classification									
	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Economic classification</b>									
<b>Current payments</b>	<b>884,081</b>	<b>(41,436)</b>	<b>(15,293)</b>	<b>827,352</b>	<b>801,893</b>	<b>25,459</b>	<b>96.9%</b>	<b>3,057,806</b>	<b>3,020,111</b>
Compensation of employees	474,995	(17,048)	(2,988)	454,959	435,858	19,101	95.8%	1,613,619	1,591,775
Salaries and wages	409,990	1,886	(2,988)	408,888	393,112	15,776	96.1%	1,403,625	1,389,442
Social contributions	65,005	(18,934)	-	46,071	42,746	3,325	92.8%	209,994	202,333
Goods and services	409,086	(25,961)	(12,305)	370,820	364,462	6,358	98.3%	1,444,178	1,428,327
Administrative fees	1,296	(129)	-	1,167	1,162	5	99.6%	486	474
Advertising	13,672	(5,547)	-	8,125	7,389	736	90.9%	12,551	12,208
Minor assets	4,201	(438)	(292)	3,471	3,447	24	99.3%	11,818	11,803
Audit costs: External	22,301	(5,881)	-	16,420	16,420	-	100.0%	58,887	58,887
Bursaries: Employees	2,092	(1,945)	-	147	147	-	100.0%	292	292
Catering: Departmental activities	1,732	161	-	1,893	1,866	27	98.6%	2,369	2,246
Communication (G&S)	15,375	(2,559)	-	12,816	12,644	172	98.7%	24,048	24,030
Computer services	29,182	11,025	-	40,207	40,200	7	100.0%	35,927	35,906
Consultants: Business and advisory services	76,583	(49,744)	(331)	26,508	26,214	294	98.9%	48,170	48,169
Infrastructure and planning services	9,056	16,454	-	25,510	25,340	170	99.3%	23,291	22,866
Legal services	9,172	5,815	-	14,987	14,987	-	100.0%	22,466	22,466
Contractors	35,122	8,571	-	43,693	43,599	94	99.8%	118,608	118,580
Agency and support / outsourced services	78,362	33,099	(11,682)	99,779	98,892	887	99.1%	265,697	254,676
Entertainment	879	(666)	-	213	177	36	83.1%	323	301
Fleet services (including government motor transport)	1,979	(65)	-	1,914	1,914	-	100.0%	18,059	18,059
Consumable supplies	876	1,197	-	2,073	2,071	2	99.9%	17,073	17,073

Appropriation per economic classification											
	2015/16						2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Consumable: Stationery, printing and office supplies	10,004	(3,170)	-	6,834	5,482	1,352	80.2%	11,650	11,650	11,502	
Operating leases	8,853	(4,906)	-	3,947	3,920	27	99.3%	228,611	228,611	228,190	
Property payments	11,105	(9,715)	-	1,390	1,390	-	100.0%	419,258	419,258	419,256	
Transport provided: Departmental activity	120	(120)	-	-	-	-	-	-	-	-	
Travel and subsistence	48,891	(3,251)	-	45,640	43,543	2,097	95.4%	91,629	91,629	91,053	
Training and development	10,065	(4,982)	-	5,083	5,083	-	100.0%	14,461	14,461	14,457	
Operating payments	11,056	(5,433)	-	5,623	5,295	328	94.2%	9,774	9,774	9,385	
Venues and facilities	6,819	(3,684)	-	3,135	3,035	100	96.8%	7,557	7,557	5,275	
Rental and hiring	293	(48)	-	245	245	-	100.0%	1,173	1,173	1,173	
Interest and rent on land	-	1,573	-	1,573	1,573	-	100.0%	9	9	9	
Interest (incl. interest on unitary payments)	-	1,573	-	1,573	1,573	-	100.0%	9	9	9	
<b>Transfers and subsidies</b>	<b>5,400,081</b>	<b>313</b>	<b>12,013</b>	<b>5,412,407</b>	<b>5,411,314</b>	<b>1,093</b>	<b>100.0%</b>	<b>2,568,674</b>	<b>2,568,674</b>	<b>2,577,774</b>	
Provinces and municipalities	1,140,001	-	-	1,140,001	1,139,399	602	99.9%	1,201,520	1,201,520	1,200,256	
Provinces	552,310	-	-	552,310	551,710	600	99.9%	606,919	606,919	605,676	
Provincial Revenue Funds	552,310	-	-	552,310	551,710	600	99.9%	606,919	606,919	605,676	
Municipalities	587,691	-	-	587,691	587,689	2	100.0%	594,601	594,601	594,580	
Municipal bank accounts	587,691	-	-	587,691	587,689	2	100.0%	594,601	594,601	594,580	
Departmental agencies and accounts	3,641,837	-	11,682	3,653,519	3,653,519	-	100.0%	802,506	802,506	802,476	
Departmental agencies (non-business accounts)	3,641,837	-	11,682	3,653,519	3,653,519	-	100.0%	802,506	802,506	802,476	
Foreign governments and international organisations	23,273	-	-	23,273	23,363	(90)	100.4%	22,548	22,548	22,548	
Public corporations and private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000	
Private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000	

Appropriation per economic classification									
	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Other transfers to private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000
Non-profit institutions	534,816	-	331	535,147	535,147	-	100.0%	477,481	488,502
Households	10,154	313	-	10,467	9,886	581	94.4%	14,619	13,992
Social benefits	5,154	(3,778)	-	1,376	795	581	57.8%	9,971	9,345
Other transfers to households	5,000	4,091	-	9,091	9,091	-	100.0%	4,648	4,647
<b>Payments for capital assets</b>	<b>28,060</b>	-	-	<b>28,060</b>	<b>23,537</b>	<b>4,523</b>	<b>83.9%</b>	<b>491,401</b>	<b>420,714</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	386,552	315,914
Buildings	-	-	-	-	-	-	-	386,552	315,914
Machinery and equipment	28,060	(357)	-	27,703	23,180	4,523	83.7%	103,626	103,577
Transport equipment	3,000	(2,051)	-	949	949	-	100.0%	1,374	1,374
Other machinery and equipment	25,060	1,694	-	26,754	22,231	4,523	83.7%	102,252	102,203
Software and other intangible assets	-	357	-	357	357	-	100.0%	1,223	1,223
<b>Payments for financial assets</b>	-	<b>41,123</b>	<b>3,280</b>	<b>44,403</b>	<b>44,403</b>	-	<b>100.0%</b>	<b>3,439</b>	<b>3,439</b>
<b>Total</b>	<b>6,312,222</b>	-	-	<b>6,312,222</b>	<b>6,281,147</b>	<b>31,075</b>	<b>99.5%</b>	<b>6,121,320</b>	<b>6,022,038</b>

Programme 1: Administration										
	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Sub programme										
1. Ministry	34,443	(9,178)	-	25,265	25,265	-	100.0%	23,749	23,749	23,435
2. Management	109,003	5,736	-	114,739	114,739	-	100.0%	104,662	104,662	103,752
3. Corporate Services	247,364	21,708	2,988	272,060	271,694	366	99.9%	284,525	284,525	281,617
4. Finance and Supply Chain Management	86,536	(18,266)	-	68,270	67,452	818	98.8%	207,468	207,468	207,135
<b>Total for sub programmes</b>	<b>477,346</b>	<b>-</b>	<b>2,988</b>	<b>480,334</b>	<b>479,150</b>	<b>1,184</b>	<b>99.8%</b>	<b>620,404</b>	<b>620,404</b>	<b>615,939</b>
Economic classification										
<b>Current payments</b>	<b>456,761</b>	<b>(29,344)</b>	<b>-</b>	<b>427,417</b>	<b>427,417</b>	<b>-</b>	<b>100.0%</b>	<b>549,986</b>	<b>549,986</b>	<b>545,965</b>
Compensation of employees	263,084	(11,353)	-	251,731	251,731	-	100.0%	207,995	207,995	204,312
Salaries and wages	228,314	719	-	229,033	229,033	-	100.0%	187,059	187,059	184,597
Social contributions	34,770	(12,072)	-	22,698	22,698	-	100.0%	20,936	20,936	19,715
Goods and services	193,677	(19,229)	-	174,448	174,448	-	100.0%	341,991	341,991	341,653
Administrative fees	1,228	(66)	-	1,162	1,162	-	100.0%	462	462	461
Advertising	9,160	(5,256)	-	3,904	3,904	-	100.0%	2,416	2,416	2,103
Minor assets	484	113	-	597	597	-	100.0%	528	528	525
Audit costs: External	22,301	(5,881)	-	16,420	16,420	-	100.0%	58,887	58,887	58,887
Bursaries: Employees	2,092	(1,945)	-	147	147	-	100.0%	292	292	292
Catering: Departmental activities	1,119	(139)	-	980	980	-	100.0%	1,036	1,036	1,036
Communication (G&S)	13,485	(2,492)	-	10,993	10,993	-	100.0%	5,223	5,223	5,223
Computer services	28,559	11,301	-	39,860	39,860	-	100.0%	35,266	35,266	35,266
Consultants: Business and advisory services	12,074	6,711	-	18,785	18,785	-	100.0%	24,049	24,049	24,049
Legal services	9,172	5,815	-	14,987	14,987	-	100.0%	22,466	22,466	22,466
Contractors	2,280	2,490	-	4,770	4,770	-	100.0%	4,770	4,770	4,770

Programme 1: Administration											
2015/16											2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Agency and support / outsourced services	24,961	(1,458)	-	23,503	23,503	-	100.0%	142,882	142,882	142,882	
Entertainment	600	(493)	-	107	107	-	100.0%	125	125	125	
Fleet services	1,221	204	-	1,425	1,425	-	100.0%	1,576	1,576	1,576	
Consumable supplies	50	1,250	-	1,300	1,300	-	100.0%	1,013	1,013	1,013	
Consumable: Stationery, printing and office supplies	6,196	(3,052)	-	3,144	3,144	-	100.0%	3,289	3,289	3,271	
Operating leases	8,303	(5,570)	-	2,733	2,733	-	100.0%	2,887	2,887	2,887	
Property payments	11,105	(9,715)	-	1,390	1,390	-	100.0%	3,096	3,096	3,096	
Travel and subsistence	19,545	1,311	-	20,856	20,856	-	100.0%	18,079	18,079	18,079	
Training and development	8,444	(3,834)	-	4,610	4,610	-	100.0%	9,440	9,440	9,440	
Operating payments	8,223	(6,501)	-	1,722	1,722	-	100.0%	2,300	2,300	2,300	
Venues and facilities	3,075	(2,026)	-	1,049	1,049	-	100.0%	1,442	1,442	1,441	
Rental and hiring	-	4	-	4	4	-	100.0%	465	465	465	
Interest and rent on land	-	1,238	-	1,238	1,238	-	100.0%	-	-	-	
Interest (incl. interest on unitary payments (PPP))	-	1,238	-	1,238	1,238	-	100.0%	-	-	-	
<b>Transfers and subsidies</b>	<b>9,358</b>	<b>252</b>	-	<b>9,610</b>	<b>9,608</b>	<b>2</b>	<b>66.7%</b>	<b>5,640</b>	<b>5,640</b>	<b>5,196</b>	
Provinces and municipalities	6	-	-	6	4	2	66.7%	11	11	3	
Municipalities	6	-	-	6	4	2	66.7%	11	11	3	
Municipal bank accounts	6	-	-	6	4	2	66.7%	11	11	3	
Households	9,352	252	-	9,604	9,604	-	100.0%	5,629	5,629	5,193	
Social benefits	4,352	(3,839)	-	513	513	-	100.0%	1,043	1,043	608	
Other transfers to households	5,000	4,091	-	9,091	9,091	-	100.0%	4,586	4,586	4,585	
<b>Payments for capital assets</b>	<b>11,227</b>	-	-	<b>11,227</b>	<b>10,045</b>	<b>1,182</b>	<b>89.5%</b>	<b>64,657</b>	<b>64,657</b>	<b>64,657</b>	
Machinery and equipment	11,227	(357)	-	10,870	9,688	1,182	89.1%	63,469	63,469	63,469	

Programme 1: Administration										
	2015/16						2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Transport equipment	3,000	(2,082)	-	918	918	-	100.0%	1,374	1,374	1,374
Other machinery and equipment	8,227	1,725	-	9,952	8,770	1,182	88.1%	62,095	62,095	62,095
Software and other intangible assets	-	357	-	357	357	-	100.0%	1,188	1,188	1,188
<b>Payments for financial assets</b>	-	<b>29,092</b>	<b>2,988</b>	<b>32,080</b>	<b>32,080</b>	-	<b>100.0%</b>	<b>121</b>	<b>121</b>	<b>121</b>
	<b>477,346</b>	-	<b>2,988</b>	<b>480,334</b>	<b>479,150</b>	<b>1,184</b>	<b>99.8%</b>	<b>620,404</b>	<b>620,404</b>	<b>615,939</b>

SUB PROGRAMME 1.1: Ministry											
2015/16											
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	2014/15	
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
<b>Current payments</b>	<b>31,288</b>	<b>(7,816)</b>	-	<b>23,472</b>	<b>23,472</b>	-	<b>100.0%</b>	<b>21,649</b>	<b>21,336</b>	<b>21,649</b>	<b>21,336</b>
Compensation of employees	16,288	(1,059)	-	15,229	15,229	-	100.0%	14,094	13,784	14,094	13,784
Goods and services	15,000	(6,757)	-	8,243	8,243	-	100.0%	7,555	7,552	7,555	7,552
<b>Transfers and subsidies</b>	<b>4</b>	-	-	<b>4</b>	<b>4</b>	-	<b>100.0%</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>3</b>
Provinces and municipalities	4	-	-	4	4	-	100.0%	4	3	4	3
<b>Payments for capital assets</b>	<b>3,151</b>	<b>(1,362)</b>	-	<b>1,789</b>	<b>1,789</b>	-	<b>100.0%</b>	<b>2,096</b>	<b>2,096</b>	<b>2,096</b>	<b>2,096</b>
Machinery and equipment	3,151	(1,362)	-	1,789	1,789	-	100.0%	2,096	2,096	2,096	2,096
<b>Total</b>	<b>34,443</b>	<b>(9,178)</b>	-	<b>25,265</b>	<b>25,265</b>	-	<b>100.0%</b>	<b>23,749</b>	<b>23,435</b>	<b>23,749</b>	<b>23,435</b>

1.2 SUB PROGRAMME 1.2: Management											
2015/16											
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	2014/15	
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
<b>Current payments</b>	<b>107,549</b>	<b>5,723</b>	-	<b>113,272</b>	<b>113,272</b>	-	<b>100.0%</b>	<b>101,796</b>	<b>100,886</b>	<b>101,796</b>	<b>100,886</b>
Compensation of employees	72,216	7,332	-	79,548	79,548	-	100.0%	52,923	52,031	52,923	52,031
Goods and services	35,333	(1,609)	-	33,724	33,724	-	100.0%	48,873	48,873	48,873	48,873
<b>Transfers and subsidies</b>	<b>500</b>	<b>(329)</b>	-	<b>171</b>	<b>171</b>	-	<b>100.0%</b>	<b>314</b>	<b>314</b>	<b>314</b>	<b>314</b>
Households	500	(329)	-	171	171	-	100.0%	314	314	314	314
<b>Payments for capital assets</b>	<b>954</b>	<b>342</b>	-	<b>1,296</b>	<b>1,296</b>	-	<b>100.0%</b>	<b>2,552</b>	<b>2,552</b>	<b>2,552</b>	<b>2,552</b>
Machinery and equipment	954	342	-	1,296	1,296	-	100.0%	2,552	2,552	2,552	2,552
<b>Total</b>	<b>109,003</b>	<b>5,736</b>	-	<b>114,739</b>	<b>114,739</b>	-	<b>100.0%</b>	<b>104,662</b>	<b>103,752</b>	<b>104,662</b>	<b>103,752</b>

SUB PROGRAMME 1.4: Finance and Supply Chain Management											
2015/16											2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
<b>Economic classification</b>											
<b>Current payments</b>	<b>81,686</b>	<b>(15,275)</b>	-	<b>66,411</b>	<b>66,411</b>	-	<b>100.0%</b>	<b>201,285</b>	<b>201,285</b>	<b>200,952</b>	
Compensation of employees	40,332	(3,324)	-	37,008	37,008	-	100.0%	26,813	26,813	26,813	
Goods and services	41,354	(13,189)	-	28,165	28,165	-	100.0%	174,472	174,472	174,139	
Interest and rent on land	-	1,238	-	1,238	1,238	-	100.0%	-	-	-	
<b>Transfers and subsidies</b>	<b>1,850</b>	<b>(1,777)</b>	-	<b>73</b>	<b>73</b>	-	<b>100.0%</b>	<b>124</b>	<b>124</b>	<b>124</b>	
Households	1,850	(1,777)	-	73	73	-	100.0%	124	124	124	
<b>Payments for capital assets</b>	<b>3,000</b>	<b>(1,214)</b>	-	<b>1,786</b>	<b>968</b>	<b>818</b>	<b>54.2%</b>	<b>5,938</b>	<b>5,938</b>	<b>5,938</b>	
Machinery and equipment	3,000	(1,214)	-	1,786	968	818	54.2%	5,938	5,938	5,938	
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>121</b>	<b>121</b>	
<b>Total</b>	<b>86,536</b>	<b>(18,266)</b>	<b>-</b>	<b>68,270</b>	<b>67,452</b>	<b>818</b>	<b>98.8%</b>	<b>207,468</b>	<b>207,468</b>	<b>207,135</b>	

1.3 SUB PROGRAMME 1.3: Corporate Services										
Economic classification	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Current payments</b>	<b>236,238</b>	<b>(11,976)</b>	-	<b>224,262</b>	<b>224,262</b>	-	<b>100.0%</b>	<b>225,256</b>	<b>222,791</b>	<b>222,791</b>
Compensation of employees	134,248	(14,302)	-	119,946	119,946	-	100.0%	114,165	111,702	111,702
Goods and services	101,990	2,326	-	104,316	104,316	-	100.0%	111,091	111,089	111,089
<b>Transfers and subsidies</b>	<b>7,004</b>	<b>2,358</b>	-	<b>9,362</b>	<b>9,360</b>	<b>2</b>	<b>100.0%</b>	<b>5,198</b>	<b>4,755</b>	<b>4,755</b>
Provinces and municipalities	2	-	-	2	-	2	0.0%	7	-	-
Households	7,002	2,358	-	9,360	9,360	-	100.0%	5,191	4,755	4,755
<b>Payments for capital assets</b>	<b>4,122</b>	<b>2,234</b>	-	<b>6,356</b>	<b>5,992</b>	<b>364</b>	<b>94.3%</b>	<b>54,071</b>	<b>54,071</b>	<b>54,071</b>
Machinery and equipment	4,122	1,877	-	5,999	5,635	364	93.9%	52,883	52,883	52,883
Software and other intangible assets	-	357	-	357	357	-	100.0%	1,188	1,188	1,188
<b>Payments for financial assets</b>	<b>-</b>	<b>29,092</b>	<b>2,988</b>	<b>32,080</b>	<b>32,080</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>247,364</b>	<b>21,708</b>	<b>2,988</b>	<b>272,060</b>	<b>271,694</b>	<b>366</b>	<b>99.9%</b>	<b>284,525</b>	<b>281,617</b>	<b>281,617</b>

Programme 2: Intergovernmental Coordination											
	2015/16						2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
<b>Sub programme</b>											
1. Monitoring, Evaluation and Reporting	31,395	2,794	292	34,481	34,186	295	99.1%	17,928	17,928	17,928	
2. Intergovernmental Relation and Coordination	14,328	(2,794)	-	11,534	10,561	973	91.6%	8,791	8,791	8,791	
<b>Total for sub programmes</b>	<b>45,723</b>	<b>-</b>	<b>292</b>	<b>46,015</b>	<b>44,747</b>	<b>1,268</b>	<b>97.2%</b>	<b>26,719</b>	<b>26,719</b>	<b>26,719</b>	
Economic classification											
<b>Current payments</b>	<b>43,923</b>	<b>(12,031)</b>	<b>-</b>	<b>31,892</b>	<b>31,892</b>	<b>-</b>	<b>100.0%</b>	<b>26,293</b>	<b>26,293</b>	<b>26,293</b>	
Compensation of employees	31,531	(5,634)	-	25,897	25,897	-	100.0%	21,663	21,663	21,663	
Salaries and wages	27,117	(3,974)	-	23,143	23,143	-	100.0%	18,964	18,964	18,964	
Social contributions	4,414	(1,660)	-	2,754	2,754	-	100.0%	2,699	2,699	2,699	
Goods and services	12,392	(6,397)	-	5,995	5,995	-	100.0%	4,630	4,630	4,630	
Advertising	85	91	-	176	176	-	100.0%	234	234	234	
Minor assets	35	13	-	48	48	-	100.0%	166	166	166	
Catering: Departmental activities	135	4	-	139	139	-	100.0%	116	116	116	
Communication (G&S)	450	(219)	-	231	231	-	100.0%	204	204	204	
Computer services	250	(201)	-	49	49	-	100.0%	50	50	50	
Consultants: Business and advisory services	550	881	-	1,431	1,431	-	100.0%	617	617	617	
Contractors	3,526	(3,526)	-	-	-	-	-	96	96	96	
Agency and support / outsourced services	1,910	(1,910)	-	-	-	-	-	-	-	-	
Entertainment	60	(47)	-	13	13	-	100.0%	12	12	12	
Fleet services	-	18	-	18	18	-	100.0%	10	10	10	
Consumable supplies	151	(138)	-	13	13	-	100.0%	15	15	15	
Consumable: Stationery, printing and office supplies	600	(109)	-	491	491	-	100.0%	785	785	785	

Programme 2: Intergovernmental Coordination									
	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Operating leases	300	(294)	-	6	6	-	100.0%	-	-
Property payments	-	-	-	-	-	-	-	2	2
Travel and subsistence	3,025	(1,179)	-	1,846	1,846	-	100.0%	1,365	1,365
Training and development	15	385	-	400	400	-	100.0%	-	-
Operating payments	740	12	-	752	752	-	100.0%	754	754
Venues and facilities	560	(178)	-	382	382	-	100.0%	204	204
<b>Transfers and subsidies</b>	<b>300</b>	-	-	<b>300</b>	<b>4</b>	<b>296</b>	<b>1.3%</b>	<b>29</b>	<b>29</b>
Households	300	-	-	300	4	296	1.3%	29	29
Social benefits	300	-	-	300	4	296	1.3%	29	29
<b>Payments for capital assets</b>	<b>1,500</b>	-	-	<b>1,500</b>	<b>528</b>	<b>972</b>	<b>35.2%</b>	<b>397</b>	<b>397</b>
Machinery and equipment	1,500	-	-	1,500	528	972	35.2%	397	397
Transport equipment	-	-	-	-	-	-	-	-	-
Other machinery and equipment	1,500	-	-	1,500	528	972	35.2%	397	397
<b>Payments for financial assets</b>	-	<b>12,031</b>	<b>292</b>	<b>12,323</b>	<b>12,323</b>	-	<b>100.0%</b>	-	-
<b>Total</b>	<b>45,723</b>	-	<b>292</b>	<b>46,015</b>	<b>44,747</b>	<b>1,268</b>	<b>97.2%</b>	<b>26,719</b>	<b>26,719</b>

SUB PROGRAMME 2.1: Monitoring, Evaluation and Reporting									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>30,745</b>	<b>(9,237)</b>	-	<b>21,508</b>	<b>21,508</b>	-	<b>100.0%</b>	<b>17,657</b>	<b>17,657</b>
Compensation of employees	21,853	(4,688)	-	17,165	17,165	-	100.0%	14,274	14,274
Goods and services	8,892	(4,549)	-	4,343	4,343	-	100.0%	3,383	3,383
<b>Transfers and subsidies</b>	<b>150</b>	-	-	<b>150</b>	<b>4</b>	<b>146</b>	<b>2.7%</b>	<b>29</b>	<b>29</b>
Households	150	-	-	150	4	146	2.7%	29	29
<b>Payments for capital assets</b>	<b>500</b>	-	-	<b>500</b>	<b>351</b>	<b>149</b>	<b>70.2%</b>	<b>242</b>	<b>242</b>
Machinery and equipment	500	-	-	500	351	149	70.2%	242	242
<b>Payments for financial assets</b>	<b>-</b>	<b>12,031</b>	<b>292</b>	<b>12,323</b>	<b>12,323</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>31,395</b>	<b>2,794</b>	<b>292</b>	<b>34,481</b>	<b>34,186</b>	<b>295</b>	<b>99.1%</b>	<b>17,928</b>	<b>17,928</b>

SUB PROGRAMME 2.2: Intergovernmental Relation and Coordination									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>13,178</b>	<b>(2,794)</b>	-	<b>10,384</b>	<b>10,384</b>	-	<b>100.0%</b>	<b>8,636</b>	<b>8,636</b>
Compensation of employees	9,678	(946)	-	8,732	8,732	-	100.0%	7,389	7,389
Goods and services	3,500	(1,848)	-	1,652	1,652	-	100.0%	1,247	1,247
<b>Transfers and subsidies</b>	<b>150</b>	-	-	<b>150</b>	<b>-</b>	<b>150</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>
Households	150	-	-	150	-	150	0.0%	-	-
<b>Payments for capital assets</b>	<b>1,000</b>	-	-	<b>1,000</b>	<b>177</b>	<b>823</b>	<b>17.7%</b>	<b>155</b>	<b>155</b>
Machinery and equipment	1000	-	-	1,000	177	823	17.7%	155	155
<b>Total</b>	<b>14,328</b>	<b>(2,794)</b>	<b>-</b>	<b>11,534</b>	<b>10,561</b>	<b>973</b>	<b>91.6%</b>	<b>8,791</b>	<b>8,791</b>

Programme 3: Expanded Public Works Programme										
Sub programme	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
1. Expanded Public Works Programme: Monitoring and Evaluation	53,738	9,803	-	63,541	63,541	-	100.0%	83,441	66,581	
2. Expanded Public Works Programme: Infrastructure	988,344	28,379	-	1,016,723	1,016,075	648	99.9%	1,036,610	1,034,985	
3. Expanded Public Works Programme: Operations	795,700	3,544	-	799,244	799,213	31	100.0%	781,401	781,107	
4. Expanded Public Works Programme: Partnership Support	108,542	(41,726)	-	66,816	57,273	9,543	85.7%	45,028	42,907	
5. Expanded Public Works Programme: Public Employment Coordinating com	7,045	-	-	7,045	3,807	3,238	54.0%	-	-	
<b>Total for sub programmes</b>	<b>1,953,369</b>	<b>-</b>	<b>-</b>	<b>1,953,369</b>	<b>1,939,909</b>	<b>13,460</b>	<b>99.3%</b>	<b>1,946,480</b>	<b>1,925,580</b>	
<b>Economic classification</b>										
<b>Current payments</b>	<b>276,046</b>	<b>(61)</b>	<b>-</b>	<b>275,985</b>	<b>263,309</b>	<b>12,676</b>	<b>95.4%</b>	<b>265,438</b>	<b>245,781</b>	
Compensation of employees	144,077	(61)	-	144,016	133,953	10,063	93.0%	129,280	112,425	
Salaries and wages	123,769	5,141	-	128,910	119,275	9,635	92.5%	110,427	99,663	
Social contributions	20,308	(5,202)	-	15,106	14,678	428	97.2%	18,853	12,762	
Goods and services	131,969	-	-	131,969	129,356	2,613	98.0%	136,158	133,356	
Administrative fees	57	(57)	-	-	-	-	-	5	-	
Advertising	3,961	(142)	-	3,819	3,212	607	84.1%	4,526	4,526	
Minor assets	150	176	-	326	326	-	100.0%	197	197	
Catering: Departmental activities	311	426	-	737	731	6	99.2%	250	250	
Communication (G&S)	1,059	160	-	1,219	1,059	160	86.9%	1,291	1,291	
Computer services	344	(53)	-	291	291	-	100.0%	208	208	

Programme 3: Expanded Public Works Programme											
	2015/16						2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Consultants: Business and advisory services	60,272	(59,478)	-	794	794	-	100.0%	-	7,755	7,754	
Infrastructure and planning services	8,886	16,454	-	25,340	25,340	-	100.0%	-	16,339	15,958	
Contractors	707	(461)	-	246	246	-	100.0%	-	656	656	
Agency and support / outsourced services	31,172	42,795	-	73,967	73,967	-	100.0%	-	76,963	76,963	
Entertainment	143	(86)	-	57	44	13	77.2%	-	38	38	
Fleet services	708	(478)	-	230	230	-	100.0%	-	302	302	
Consumable supplies	675	(382)	-	293	291	2	99.3%	-	661	661	
Consumable: Stationery, printing and office supplies	1,172	797	-	1,969	1,665	304	84.6%	-	1,618	1,618	
Operating leases	27	556	-	583	582	1	99.8%	-	530	236	
Property payments	-	-	-	-	-	-	-	-	-	-	
Travel and subsistence	18,849	583	-	19,432	18,240	1,192	93.9%	-	18,751	18,751	
Training and development	328	(255)	-	73	73	-	100.0%	-	174	174	
Operating payments	1,030	(247)	-	783	455	328	58.1%	-	671	671	
Venues and facilities	1,825	(256)	-	1,569	1,569	-	100.0%	-	4,827	2,706	
Rental and hiring	293	(52)	-	241	241	-	100.0%	-	396	396	
<b>Transfers and subsidies</b>	<b>1,674,963</b>	<b>61</b>	-	<b>1,675,024</b>	<b>1,674,424</b>	<b>600</b>	<b>100.0%</b>	-	<b>1,679,146</b>	<b>1,677,903</b>	
Provinces and municipalities	1,139,995	-	-	1,139,995	1,139,395	600	99.9%	-	1,201,494	1,200,251	
Provinces	552,310	-	-	552,310	551,710	600	99.9%	-	606,919	605,676	
Provincial Revenue Funds	552,310	-	-	552,310	551,710	600	99.9%	-	606,919	605,676	
Municipalities	587,685	-	-	587,685	587,685	-	100.0%	-	594,575	594,575	
Municipal bank accounts	587,685	-	-	587,685	587,685	-	100.0%	-	594,575	594,575	

Programme 3: Expanded Public Works Programme											
2015/16						2014/15					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Non-profit institutions	534,816	-	-	534,816	534,816	-	100.0%	477,481	477,481	477,481	
Households	152	61	-	213	213	-	100.0%	171	171	171	
Social benefits	152	61	-	213	213	-	100.0%	109	109	109	
Other transfers to households	-	-	-	-	-	-	-	62	62	62	
<b>Payments for capital assets</b>	<b>2,360</b>	-	-	<b>2,360</b>	<b>2,176</b>	<b>184</b>	<b>92.2%</b>	<b>1,803</b>	<b>1,803</b>	<b>1,803</b>	
Machinery and equipment	2,360	-	-	2,360	2,176	184	92.2%	1,803	1,803	1,803	
Transport equipment	-	31	-	31	31	-	100.0%	-	-	-	
Other machinery and equipment	2,360	(31)	-	2,329	2,145	184	92.1%	1,803	1,803	1,803	
<b>Payments for financial assets</b>	-	-	-	-	-	-	-	<b>93</b>	<b>93</b>	<b>93</b>	
<b>Total</b>	<b>1,953,369</b>	-	-	<b>1,953,369</b>	<b>1,939,909</b>	<b>13,460</b>	<b>99.3%</b>	<b>1,946,480</b>	<b>1,946,480</b>	<b>1,925,580</b>	

SUB PROGRAMME 3.1: Expanded Public Works Programme: Monitoring and Evaluation									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>53,378</b>	<b>9,406</b>	-	<b>62,784</b>	<b>62,784</b>	-	<b>100.0%</b>	<b>82,439</b>	<b>65,579</b>
Compensation of employees	17,571	6,339	-	23,910	23,910	-	100.0%	45,995	29,140
Goods and services	35,807	3,067	-	38,874	38,874	-	100.0%	36,444	36,439
<b>Transfers and subsidies</b>	-	<b>21</b>	-	<b>21</b>	<b>21</b>	-	<b>100.0%</b>	<b>12</b>	<b>12</b>
Households	-	21	-	21	21	-	100.0%	12	12
<b>Payments for capital assets</b>	<b>360</b>	<b>376</b>	-	<b>736</b>	<b>736</b>	-	<b>100.0%</b>	<b>897</b>	<b>897</b>
Machinery and equipment	360	376	-	736	736	-	100.0%	897	897
<b>Payments for financial assets</b>	-	-	-	-	-	-	-	<b>93</b>	<b>93</b>
<b>Total</b>	<b>53,738</b>	<b>9,803</b>	-	<b>63,541</b>	<b>63,541</b>	-	<b>100.0%</b>	<b>83,441</b>	<b>66,581</b>

SUB PROGRAMME 3.2: Expanded Public Works Programme: Infrastructure									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>73,784</b>	<b>28,478</b>	-	<b>102,262</b>	<b>102,262</b>	-	<b>100.0%</b>	<b>92,526</b>	<b>92,144</b>
Compensation of employees	20,236	22,802	-	43,038	43,038	-	100.0%	37,805	37,805
Goods and services	53,548	5,676	-	59,224	59,224	-	100.0%	54,721	54,339
<b>Transfers and subsidies</b>	<b>913,892</b>	<b>83</b>	-	<b>913,975</b>	<b>913,375</b>	<b>600</b>	<b>99.9%</b>	<b>943,600</b>	<b>942,357</b>
Provinces and municipalities	913,892	-	-	913,892	913,292	600	99.9%	943,522	942,279
Households	-	83	-	83	83	-	100.0%	78	78
<b>Payments for capital assets</b>	<b>668</b>	<b>(182)</b>	-	<b>486</b>	<b>438</b>	<b>48</b>	<b>90.1%</b>	<b>484</b>	<b>484</b>
Machinery and equipment	668	(182)	-	486	438	48	90.1%	484	484
<b>Total</b>	<b>988,344</b>	<b>28,379</b>	-	<b>1,016,723</b>	<b>1,016,075</b>	<b>648</b>	<b>99.9%</b>	<b>1,036,610</b>	<b>1,034,985</b>

SUB PROGRAMME 3.3: Expanded Public Works Programme: Operations										
Economic classification	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Current payments</b>	<b>34,391</b>	<b>3,544</b>	-	<b>37,935</b>	<b>37,935</b>	-	<b>100.0%</b>	<b>45,820</b>	<b>45,820</b>	<b>45,526</b>
Compensation of employees	9,629	10,872	-	20,501	20,501	-	100.0%	17,177	17,177	17,177
Goods and services	24,762	(7,328)	-	17,434	17,434	-	100.0%	28,643	28,643	28,349
<b>Transfers and subsidies</b>	<b>760,919</b>	-	-	<b>760,919</b>	<b>760,919</b>	-	<b>100.0%</b>	<b>735,453</b>	<b>735,453</b>	<b>735,453</b>
Provinces and municipalities	226,103	-	-	226,103	226,103	-	100.0%	257,972	257,972	257,972
Non-profit institutions	534,816	-	-	534,816	534,816	-	100.0%	477,481	477,481	477,481
<b>Payments for capital assets</b>	<b>390</b>	-	-	<b>390</b>	<b>359</b>	<b>31</b>	<b>92.1%</b>	<b>128</b>	<b>128</b>	<b>128</b>
Machinery and equipment	390	-	-	390	359	31	92.1%	128	128	128
<b>Total</b>	<b>795,700</b>	<b>3,544</b>	-	<b>799,244</b>	<b>799,213</b>	<b>31</b>	<b>100.0%</b>	<b>781,401</b>	<b>781,401</b>	<b>781,107</b>

SUB PROGRAMME 3.4: Expanded Public Works Programme: Partnership Support										
Economic classification	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Current payments</b>	<b>107,614</b>	<b>(41,489)</b>	-	<b>66,125</b>	<b>56,582</b>	<b>9,543</b>	<b>85.6%</b>	<b>44,653</b>	<b>44,653</b>	<b>42,532</b>
Compensation of employees	92,162	(40,074)	-	52,088	43,152	8,936	82.8%	28,303	28,303	28,303
Goods and services	15,452	(1,415)	-	14,037	13,430	607	95.7%	16,350	16,350	14,229
<b>Transfers and subsidies</b>	<b>152</b>	<b>(43)</b>	-	<b>109</b>	<b>109</b>	-	<b>100.0%</b>	<b>81</b>	<b>81</b>	<b>81</b>
Households	152	(43)	-	109	109	-	100.0%	81	81	81
<b>Payments for capital assets</b>	<b>776</b>	<b>(194)</b>	-	<b>582</b>	<b>582</b>	-	<b>100.0%</b>	<b>294</b>	<b>294</b>	<b>294</b>
Machinery and equipment	776	(194)	-	582	582	-	100.0%	294	294	294
<b>Total</b>	<b>108,542</b>	<b>(41,726)</b>	-	<b>66,816</b>	<b>57,273</b>	<b>9,543</b>	<b>85.7%</b>	<b>45,028</b>	<b>45,028</b>	<b>42,907</b>

SUB PROGRAMME 3.5: Expanded Public Works Programme: Public Employment Coordinating Commission									
2015/16									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>6,879</b>	-	-	<b>6,879</b>	<b>3,746</b>	<b>3,133</b>	<b>54.5%</b>	-	-
Compensation of employees	4,479	-	-	4,479	3,352	1,127	74.8%	-	-
Goods and services	2,400	-	-	2,400	394	2,006	16.4%	-	-
<b>Payments for capital assets</b>	<b>166</b>	-	-	<b>166</b>	<b>61</b>	<b>105</b>	<b>36.7%</b>	-	-
Machinery and equipment	166	-	-	166	61	105	36.7%	-	-
<b>Total</b>	<b>7,045</b>	-	-	<b>7,045</b>	<b>3,807</b>	<b>3,238</b>	<b>54.0%</b>	-	-

Programme 4: Property and Construction Industry Policy and Research										
Sub programme	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
1. Construction Policy Development Programme	25,592	212	-	25,804	20,861	4,943	80.8%	20,891	18,738	
2. Property Policy Development Programme	11,350	(212)	23	11,161	8,416	2,745	75.4%	13,445	12,625	
3. Construction Industry Development Board	65,626	-	-	65,626	65,626	-	100.0%	77,212	77,212	
4. Council for the Built Development	41,994	-	-	41,994	41,994	-	100.0%	41,572	41,572	
5. Independent Development Trust	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	
6. Construction Education and Training Authority	475	-	-	475	475	-	100.0%	1,660	1,630	
7. Property Management Trading Entity	3,524,652	-	-	3,524,652	3,524,652	-	100.0%	3,114,879	3,043,967	
8. Assistance to Organisations for the Preservation of National Memorials	23,273	-	-	23,273	23,363	(90)	100.4%	22,548	22,548	
<b>Total for sub programmes</b>	<b>3,742,962</b>	<b>-</b>	<b>23</b>	<b>3,742,985</b>	<b>3,735,387</b>	<b>7,598</b>	<b>99.8%</b>	<b>3,342,207</b>	<b>3,268,292</b>	
<b>Economic classification</b>										
<b>Current payments</b>	<b>36,630</b>		<b>(12,013)</b>	<b>24,617</b>	<b>17,086</b>	<b>7,531</b>	<b>69.4%</b>	<b>2,063,053</b>	<b>2,049,037</b>	
Compensation of employees	14,248	-	-	14,248	8,726	5,522	61.2%	1,231,478	1,230,172	
Salaries and wages	12,204	-	-	12,204	7,984	4,220	65.4%	1,066,759	1,065,802	
Social contributions	2,044	-	-	2,044	742	1,302	36.3%	164,719	164,370	
Goods and services	22,382	-	(12,013)	10,369	8,360	2,009	80.6%	831,566	818,856	
Administrative fees	6	(6)	-	-	-	-	-	19	13	
Advertising	456	(284)	-	172	43	129	25.0%	5,335	5,306	
Minor assets	32	(8)	-	24	-	24	0.0%	1,068	1,056	
Catering: Departmental activities	157	(132)	-	25	4	21	16.0%	957	834	
Communication (G&S)	201	(83)	-	118	106	12	89.8%	17,120	17,102	
Computer services	29	(22)	-	7	-	7	0.0%	403	382	

Programme 4: Property and Construction Industry Policy and Research											
2015/16										2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Consultants: Business and advisory services	3,637	1,813	(331)	5,119	4,825	294	94.3%	15,749	15,749	15,749	
Infrastructure and planning services	170	-	-	170	-	170	0.0%	6,952	6,952	6,908	
Contractors	143	(28)	-	115	21	94	18.3%	1,145	1,145	1,117	
Agency and support / outsourced services	12,569	650	(11,682)	1,537	650	887	42.3%	45,334	45,334	34,313	
Entertainment	26	(14)	-	12	6	6	50.0%	136	136	114	
Fleet services	-	1	-	1	1	-	100.0%	16,160	16,160	16,160	
Consumable supplies	-	1	-	1	1	-	100.0%	13,827	13,827	13,827	
Consumable: Stationery, printing and office supplies	542	(106)	-	436	97	339	22.2%	5,655	5,655	5,525	
Operating leases	178	(142)	-	36	10	26	27.8%	225,158	225,158	225,031	
Property payments	120	(120)	-	-	-	-	-	415,835	415,835	415,835	
Transport provided: Departmental activity	2,166	(1,226)	-	940	940	-	100.0%	49,923	49,923	49,347	
Travel and subsistence	278	(278)	-	-	-	-	-	4,847	4,847	4,843	
Training and development	413	1,208	-	1,621	1,621	-	100.0%	5,381	5,381	4,992	
Operating payments	1,259	(1,224)	-	35	35	-	100.0%	561	561	401	
Venues and facilities	-	-	-	-	-	-	-	1	1	1	
Rental and hiring	-	-	-	-	-	-	-	9	9	9	
Interest and rent on land	-	-	-	-	-	-	-	9	9	9	
Interest (incl. interest on unitary payments (PPP))	-	-	-	-	-	-	-	9	9	9	
<b>Transfers and subsidies</b>	<b>3,706,220</b>	-	<b>12,013</b>	<b>3,718,233</b>	<b>3,718,166</b>	<b>67</b>	<b>100.0%</b>	<b>875,138</b>	<b>875,138</b>	<b>885,926</b>	
Provinces and municipalities	-	-	-	-	-	-	-	15	15	2	
Municipalities	-	-	-	-	-	-	-	15	15	2	
Municipal bank accounts	-	-	-	-	-	-	-	15	15	2	

Programme 4: Property and Construction Industry Policy and Research											
2015/16						2014/15					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
Departmental agencies and accounts	3,632,747	-	11,682	3,644,429	3,644,429	-	100.0%	793,816	793,816	793,786	
Departmental agencies (non-business entities)	3,632,747	-	11,682	3,644,429	3,644,429	-	100.0%	793,816	793,816	793,786	
Foreign governments and international organisations	23,273	-	-	23,273	23,363	(90)	100.4%	22,548	22,548	22,548	
Public corporations and private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000	
Private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000	
Other transfers to private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000	
Non-profit institutions	-	-	331	331	331	-	100.0%	-	-	11,021	
Households	200	-	-	200	43	157	21.5%	8,759	8,759	8,569	
Social benefits	200	-	-	200	43	157	21.5%	8,759	8,759	8,569	
<b>Payments for capital assets</b>	<b>112</b>	<b>-</b>	<b>23</b>	<b>135</b>	<b>135</b>	<b>-</b>	<b>100.0%</b>	<b>400,791</b>	<b>400,791</b>	<b>330,104</b>	
Buildings and other fixed structures	-	-	-	-	-	-	-	386,552	386,552	315,914	
Buildings	-	-	-	-	-	-	-	386,552	386,552	315,914	
Machinery and equipment	112	-	23	135	135	-	100.0%	14,204	14,204	14,155	
Other machinery and equipment	112	-	23	135	135	-	100.0%	14,204	14,204	14,155	
Software and other intangible assets	-	-	-	-	-	-	-	35	35	35	
<b>Payment for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,225</b>	<b>3,225</b>	<b>3,225</b>	
<b>Total</b>	<b>3,742,962</b>	<b>-</b>	<b>23</b>	<b>3,742,985</b>	<b>3,735,387</b>	<b>7,598</b>	<b>99.8%</b>	<b>3,342,207</b>	<b>3,342,207</b>	<b>3,268,292</b>	

SUB PROGRAMME 4.1: Construction Policy Development Programme									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>25,384</b>	<b>230</b>	<b>(12,013)</b>	<b>13,601</b>	<b>8,715</b>	<b>4,886</b>	<b>64.1%</b>	<b>20,695</b>	<b>7,659</b>
Compensation of employees	8,032	-	-	8,032	3,146	4,886	39.2%	5,297	4,244
Goods and services	17,352	230	(12,013)	5,569	5,569	-	100.0%	15,398	3,415
<b>Transfers and subsidies</b>	<b>100</b>	<b>-</b>	<b>12,013</b>	<b>12,113</b>	<b>12,056</b>	<b>57</b>	<b>99.5%</b>	<b>100</b>	<b>11,032</b>
Departmental agencies and accounts	-	-	11,682	11,682	11,682	-	100.0%	-	-
Non-profit institutions	-	-	331	331	331	-	100.0%	-	11,021
Households	100	-	-	100	43	57	43.0%	100	11
<b>Payments for capital assets</b>	<b>108</b>	<b>(18)</b>	<b>-</b>	<b>90</b>	<b>90</b>	<b>-</b>	<b>100.0%</b>	<b>96</b>	<b>47</b>
Machinery and equipment	108	(18)	-	90	90	-	100.0%	96	47
<b>Total</b>	<b>25,592</b>	<b>212</b>	<b>-</b>	<b>25,804</b>	<b>20,861</b>	<b>4,943</b>	<b>80.8%</b>	<b>20,891</b>	<b>18,738</b>

SUB PROGRAMME 4.2: Property Policy Development Programme											
2015/16											2014/15
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Final Appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
<b>Current payments</b>	<b>11,246</b>	<b>(230)</b>	-	<b>11,016</b>	<b>8,371</b>	<b>2,645</b>	<b>76.0%</b>	<b>13,309</b>	<b>13,309</b>	<b>12,589</b>	<b>12,589</b>
Compensation of employees	6,216	-	-	6,216	5,580	636	89.8%	3,686	3,686	3,686	3,686
Goods and services	5,030	(230)	-	4,800	2,791	2,009	58.1%	9,623	9,623	8,903	8,903
<b>Transfers and subsidies</b>	<b>100</b>	-	-	<b>100</b>	-	<b>100</b>	<b>0.0%</b>	<b>100</b>	<b>100</b>	-	-
Households	100	-	-	100	-	100	0.0%	100	100	-	-
<b>Payments for capital assets</b>	<b>4</b>	<b>18</b>	<b>23</b>	<b>45</b>	<b>45</b>	-	<b>100.0%</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>
Machinery and equipment	4	18	23	45	45	-	100.0%	36	36	36	36
<b>Total</b>	<b>11,350</b>	<b>(212)</b>	<b>23</b>	<b>11,161</b>	<b>8,416</b>	<b>2,745</b>	<b>75.4%</b>	<b>13,445</b>	<b>13,445</b>	<b>12,625</b>	<b>12,625</b>
SUB PROGRAMME 4.3: Construction Industry Development Board											
2015/16											2014/15
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Final Appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
<b>Transfers and subsidies</b>	<b>65,626</b>	-	-	<b>65,626</b>	<b>65,626</b>	-	<b>100.0%</b>	<b>77,212</b>	<b>77,212</b>	<b>77,212</b>	<b>77,212</b>
Departmental agencies and accounts	65,626	-	-	65,626	65,626	-	100.0%	77,212	77,212	77,212	77,212
<b>Total</b>	<b>65,626</b>	-	-	<b>65,626</b>	<b>65,626</b>	-	<b>100.0%</b>	<b>77,212</b>	<b>77,212</b>	<b>77,212</b>	<b>77,212</b>
SUB PROGRAMME 4.4: Council for the Built Environment											
2015/16											2014/15
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Final Appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
<b>Transfers and subsidies</b>	<b>41,994</b>	-	-	<b>41,994</b>	<b>41,994</b>	-	<b>100.0%</b>	<b>41,572</b>	<b>41,572</b>	<b>41,572</b>	<b>41,572</b>
Departmental agencies and accounts	41,994	-	-	41,994	41,994	-	100.0%	41,572	41,572	41,572	41,572
<b>Total</b>	<b>41,994</b>	-	-	<b>41,994</b>	<b>41,994</b>	-	<b>100.0%</b>	<b>41,572</b>	<b>41,572</b>	<b>41,572</b>	<b>41,572</b>

SUB PROGRAMME 4.5: Independent Development Trust										
	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	Final Appropriation
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Transfers and subsidies</b>	<b>50,000</b>	-	-	<b>50,000</b>	<b>50,000</b>	-	<b>100.0%</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
Public corporations and private enterprises	50,000	-	-	50,000	50,000	-	100.0%	50,000	50,000	50,000
<b>Total</b>	<b>50,000</b>	-	-	<b>50,000</b>	<b>50,000</b>	-	<b>100.0%</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

4.6 SUB PROGRAMME 4.6: Construction Education and Training Authority										
	2015/16					2014/15				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	Final Appropriation
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Transfers and subsidies</b>	<b>475</b>	-	-	<b>475</b>	<b>475</b>	-	<b>100.0%</b>	<b>475</b>	<b>475</b>	<b>1,660</b>
Departmental agencies and accounts	475	-	-	475	475	-	100.0%	475	475	1,660
<b>Total</b>	<b>475</b>	-	-	<b>475</b>	<b>475</b>	-	<b>100.0%</b>	<b>475</b>	<b>475</b>	<b>1,660</b>

SUB PROGRAMME 4.7: Property Management Trading Entity											
Economic classification	2015/16					2014/15					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
<b>Current payments</b>	-	-	-	-	-	-	-	<b>2,029,049</b>	<b>2,029,049</b>	<b>2,028,789</b>	
Compensation of employees	-	-	-	-	-	-	-	1,222,495	1,222,495	1,222,242	
Goods and services	-	-	-	-	-	-	-	806,545	806,545	806,538	
Interest and rent on land	-	-	-	-	-	-	-	9	9	9	
<b>Transfers and subsidies</b>	<b>3,524,652</b>	-	-	<b>3,524,652</b>	<b>3,524,652</b>	-	<b>100.0%</b>	<b>681,946</b>	<b>681,946</b>	<b>681,932</b>	
Provinces and municipalities	-	-	-	-	-	-	-	15	15	2	
Departmental agencies and accounts	3,524,652	-	-	3,524,652	3,524,652	-	100.0%	673,372	673,372	673,372	
Households	-	-	-	-	-	-	-	8,559	8,559	8,558	
<b>Payments for capital assets</b>	-	-	-	-	-	-	-	<b>400,659</b>	<b>400,659</b>	<b>330,021</b>	
Buildings and other fixed structures	-	-	-	-	-	-	-	386,552	386,552	315,914	
Machinery and equipment	-	-	-	-	-	-	-	14,072	14,072	14,072	
Land and subsoil assets	-	-	-	-	-	-	-	35	35	35	
<b>Payments for financial assets</b>	-	-	-	-	-	-	-	<b>3,225</b>	<b>3,225</b>	<b>3,225</b>	
<b>Total</b>	<b>3,524,652</b>	-	-	<b>3,524,652</b>	<b>3,524,652</b>	-	<b>100.0%</b>	<b>3,114,879</b>	<b>3,114,879</b>	<b>3,043,967</b>	

SUB PROGRAMME 4.8: Assistance to Organisations for the Preservation of National Memorials											
2015/16											2014/15
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
<b>Transfers and subsidies</b>	<b>23,273</b>	-	-	<b>23,273</b>	<b>23,363</b>	<b>(90)</b>	<b>100.4%</b>	<b>23,273</b>	<b>22,548</b>	<b>22,548</b>	
Foreign governments and international organisations	23,273	-	-	23,273	23,363	(90)	100.4%	23,273	22,548	22,548	
<b>Total</b>	<b>23,273</b>	-	-	<b>23,273</b>	<b>23,363</b>	<b>(90)</b>	<b>100.4%</b>	<b>23,273</b>	<b>22,548</b>	<b>22,548</b>	

Programme 5:Prestige Policy											
2015/16						2014/15					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		R'000
<b>Sub programme</b>											
1.Prestige Accommodation and State Functions	83,732	-	(3,303)	80,429	72,864	7,565	90.6%	176,820	176,818		
2.Parliamentary Villages Management Board	9,090	-	-	9,090	9,090	-	100.0%	8,690	8,690		
<b>Total for sub programmes</b>	<b>92,822</b>	<b>-</b>	<b>(3,303)</b>	<b>89,519</b>	<b>81,954</b>	<b>7,565</b>	<b>91.5%</b>	<b>185,510</b>	<b>185,508</b>		
<b>Economic classification</b>											
<b>Current payments</b>	<b>70,721</b>	<b>-</b>	<b>(3,280)</b>	<b>67,441</b>	<b>62,189</b>	<b>5,252</b>	<b>92.2%</b>	<b>153,036</b>	<b>153,035</b>		
Compensation of employees	22,055	-	(2,988)	19,067	15,551	3,516	81.6%	23,203	23,203		
Salaries and wages	18,586	-	(2,988)	15,598	13,677	1,921	87.7%	20,416	20,416		
Social contributions	3,469	-	-	3,469	1,874	1,595	54.0%	2,787	2,787		
Goods and services	48,666	(335)	(292)	48,039	46,303	1,736	96.4%	129,833	129,832		
Administrative fees	5	-	-	5	-	5	-	-	-		
Advertising	10	44	-	54	54	-	100.0%	40	39		
Minor assets	3,500	(732)	(292)	2,476	2,476	-	100.0%	9,859	9,859		
Catering: Departmental activities	10	2	-	12	12	-	100.0%	10	10		
Communication (G&S)	180	75	-	255	255	-	100.0%	210	210		
Consultants: Business and advisory services	50	329	-	379	379	-	100.0%	-	-		
Contractors	28,466	10,096	-	38,562	38,562	-	100.0%	111,941	111,941		
Agency and support / outsourced services	7,750	(6,978)	-	772	772	-	100.0%	518	518		
Entertainment	50	(26)	-	24	7	17	29.2%	12	12		
Fleet services (including government motor transport)	50	190	-	240	240	-	100.0%	11	11		
Consumable supplies	-	466	-	466	466	-	100.0%	1,557	1,557		

Programme 5: Prestige Policy											
	2015/16					2014/15					
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		
Consumable: Stationery, printing and office supplies	1,494	(700)	-	794	85	709	10.7%	303	303		
Operating leases	45	544	-	589	589	-	100.0%	36	36		
Property payments	-	-	-	-	-	-	-	323	323		
Travel and subsistence	5,306	(2,740)	-	2,566	1,661	905	64.7%	3,511	3,511		
Training and development	1,000	(1,000)	-	-	-	-	-	-	-		
Operating payments	650	95	-	745	745	-	100.0%	668	668		
Venues and facilities	100	-	-	100	-	100	-	523	523		
Rental and hiring	-	-	-	-	-	-	-	311	311		
Interest and rent on land	-	335	-	335	335	-	100.0%	-	-		
Interest (incl. interest on unitary payments (PPP))	-	335	-	335	335	-	100.0%	-	-		
<b>Transfers and subsidies</b>	<b>9,240</b>	-	-	<b>9,240</b>	<b>9,112</b>	<b>128</b>	<b>98.6%</b>	<b>8,721</b>	<b>8,720</b>		
Departmental agencies and accounts	9,090	-	-	9,090	9,090	-	100.0%	8,690	8,690		
Departmental agencies (non-business entities)	9,090	-	-	9,090	9,090	-	100.0%	8,690	8,690		
Households	150	-	-	150	22	128	14.7%	31	30		
Social benefits	150	-	-	150	22	128	14.7%	31	30		
<b>Payments for capital assets</b>	<b>12,861</b>	-	(23)	<b>12,838</b>	<b>10,653</b>	<b>2,185</b>	<b>83.0%</b>	<b>23,753</b>	<b>23,753</b>		
Machinery and equipment	12,861	-	(23)	12,838	10,653	2,185	83.0%	23,753	23,753		
Other machinery and equipment	12,861	-	(23)	12,838	10,653	2,185	83.0%	23,753	23,753		
<b>Total</b>	<b>92,822</b>	-	<b>(3,303)</b>	<b>89,519</b>	<b>81,954</b>	<b>7,565</b>	<b>91.5%</b>	<b>185,510</b>	<b>185,508</b>		

5.1 SUB PROGRAMME 5.1: Prestige Accommodation and State Function									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>70,721</b>	-	<b>(3,280)</b>	<b>67,441</b>	<b>62,189</b>	<b>5,252</b>	<b>92.2%</b>	<b>153,036</b>	<b>153,035</b>
Compensation of employees	22,055	-	(2,988)	19,067	15,551	3,516	81.6%	23,203	23,203
Goods and services	48,666	(335)	(292)	48,039	46,303	1,736	96.4%	129,833	129,832
Interest and rent on land	-	335	-	335	335	-	100.0%	-	-
<b>Transfers and subsidies</b>	<b>150</b>	-	-	<b>150</b>	<b>22</b>	<b>128</b>	<b>14.7%</b>	<b>31</b>	<b>30</b>
Households	150	-	-	150	22	128	14.7%	31	30
<b>Payments for capital assets</b>	<b>12,861</b>	-	<b>(23)</b>	<b>12,838</b>	<b>10,653</b>	<b>2,185</b>	<b>83.0%</b>	<b>23,753</b>	<b>23,753</b>
Machinery and equipment	12,861	-	(23)	12,838	10,653	2,185	83.0%	23,753	23,753
<b>Total</b>	<b>83,732</b>	-	<b>(3,303)</b>	<b>80,429</b>	<b>72,864</b>	<b>7,565</b>	<b>90.6%</b>	<b>176,820</b>	<b>176,818</b>

5.2 SUB PROGRAMME 5.2: Parliamentary Villages Management Board									
Economic classification	2015/16					2014/15			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Transfers and subsidies</b>	<b>9,090</b>	-	-	<b>9,090</b>	<b>9,090</b>	-	<b>100.0%</b>	<b>8,690</b>	<b>8,690</b>
Departmental agencies and accounts	9,090	-	-	9,090	9,090	-	100.0%	8,690	8,690
<b>Total</b>	<b>9,090</b>	-	-	<b>9,090</b>	<b>9,090</b>	-	<b>100.0%</b>	<b>8,690</b>	<b>8,690</b>

## NOTES TO THE APPROPRIATION STATEMENT

### for the year ended 31 March 2016

#### 1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-G) to the Annual Financial Statements.

#### 2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

#### 3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

#### 4. Explanations of material variances from Amounts Voted (after Virement):

##### 4.1 Per programme

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Administration	480,334	479,150	1,184	0.2%
Intergovernmental Coordination	46,015	44,747	1,268	2.8%
Expanded Public Works Programme	1,953,369	1,939,909	13,460	0.7%
Property and Construction Industry Policy and Research	3,742,985	3,735,387	7,598	0.2%
Prestige Policy	89,519	81,954	7,565	8.5%

##### 4.2 Per programme

	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Intergovernmental Coordination	46,015	44,747	1,268	2.8%

Expenditure variance of 2.8% in Programme 2 is due to underspending on payment for capital assets (R973 000) and household (R295 000). Payment for capital assets under spent due delay in filling of positions that are vacant within Governance, Risk and Compliance branch. Household underspent due to less amount being spent that projected from retirements and resignations.

##### 4.3 Per programme

	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Prestige Policy	89,519	81,954	7,565	8.5%

Expenditure variance of 8.5% in Programme 5 is due to underspending on compensation of employees (R6.5 million), goods and services (R1.7 million) as well as payment for capital assets (R2.1 million). Compensation of employees under-spent due to delay in filling of vacant positions during the financial year.

**NOTES TO THE APPROPRIATION STATEMENT**

for the year ended 31 March 2016

**4.4 Per economic classification**

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
<b>Current payments</b>				
Compensation of employees	454,959	435,858	19,101	4.2%
Goods and services	370,820	364,462	6,358	1.7%
Interest and rent on land	1,573	1,573	-	0.0%
Transfers and subsidies				
Provinces and municipalities	1,140,001	1,139,399	602	0.1%
Departmental agencies and accounts	3,653,519	3,653,519	-	0.0%
Public corporations and private enterprises	50,000	50,000	-	0.0%
Foreign governments and international organisations	23,273	23,363	(90)	-0.4%
Non-profit institutions	535,147	535,147	-	0.0%
Households	10,467	9,886	581	5.6%
Payments for capital assets				
Buildings and other fixed structures				
Machinery and equipment	27,703	23,180	4,523	16.3%
Software and other intangible assets	357	357	-	0.0%
Payments for financial assets	44,403	44,403	-	0.0%

Expenditure variance is mainly due to:

Compensation of employees underspending of R19 million is mainly due to delay in filling of vacant position during the financial year for Programme 3: Expanded Public Works Programme (R10 million), Programme 4: Property and Construction Industry Policy and Research (R5.5 million) as well as Programme 5: Prestige Policy (R3.5 million). Goods and services underspending of R6.3 million is due to late receipt of invoices that could not be processed before financial year-end. This will now be spent in the new financial year.

Transfers and subsidies underspending of R1.1 million is due to withholding of EPWP Integrated Grants for Provinces (R600 000) and Household (R580 000). Funds to Province (Northern Cape Provincial Department of Health) were withheld due to non-compliance to DORA requirements. Households underspent due to decreased number of retirees and resignations.

Payment for capital assets underspending of R4.5 million is due to delay in delivery of assets of machinery and equipment procured before the end of the financial.

4.5 Per conditional grant	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
EPWP Integrated Grant for Municipalities	587,685	587,685	-	0.0%
EPWP Integrated Grant for Provinces	326,207	325,607	600	0.2%
Social Sector EPWP Incentive Grant for Provinces	226,103	226,103	-	0.0%

Conditional grant underspent by R600 000 relate to EPWP Integrated Grant for Provinces. Funds to Province (Northern Cape Provincial Department of Health) were withheld due to non-compliance to DORA requirements.

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	Note	2015/16	2014/15
		R'000	R'000
<b>REVENUE</b>			
Annual appropriation	1	6,312,222	6,121,320
Departmental revenue	2	7,106	16,132
<b>TOTAL REVENUE</b>		<b>6,319,328</b>	<b>6,137,452</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	3	435,858	1,591,775
Goods and services	4	364,462	1,428,327
Interest and rent on land	5	1,573	9
<b>Total current expenditure</b>		<b>801,893</b>	<b>3,020,111</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	Z	5,411,314	2,577,774
<b>Total transfers and subsidies</b>		<b>5,411,314</b>	<b>2,577,774</b>
<b>Expenditure for capital assets</b>			
Tangible assets	8	23,180	419,491
Intangible assets	8	357	1,223
<b>Total expenditure for capital assets</b>		<b>23,537</b>	<b>420,714</b>
<b>Payments for financial assets</b>	6	<b>44,403</b>	<b>3,439</b>
<b>TOTAL EXPENDITURE</b>		<b>6,281,147</b>	<b>6,022,038</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>38,181</b>	<b>115,414</b>
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		31,075	99,282
Annual appropriation		31,075	99,282
Departmental revenue and NRF Receipts	14	7,106	16,132
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>38,181</b>	<b>115,414</b>

## STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

	Note	2015/16 R'000	2014/15 R'000
<b>ASSETS</b>			
<b>Current assets</b>		730,770	282,962
Unauthorised expenditure	<u>9</u>	261,169	261,169
Cash and cash equivalents	<u>10</u>	167	182
Prepayments and advances	<u>11</u>	11,417	12,876
Receivables	<u>12</u>	458,017	8,735
<b>Non-current assets</b>		42,937	75,566
Receivables	<u>12</u>	42,937	75,566
<b>TOTAL ASSETS</b>		<b>773,707</b>	<b>358,528</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>768,709</b>	<b>347,885</b>
Voted funds to be surrendered to the Revenue Fund	<u>13</u>	31,078	104,798
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	<u>14</u>	5,338	5,375
Bank overdraft	<u>15</u>	648,528	159,373
Payables	<u>16</u>	83,765	78,339
<b>TOTAL LIABILITIES</b>		<b>768,709</b>	<b>347,885</b>
<b>NET ASSETS</b>		<b>4,998</b>	<b>10,643</b>
<b>Represented by:</b>			
Recoverable revenue		4,998	10,643
<b>TOTAL</b>		<b>4,998</b>	<b>10,643</b>

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

	Note	2015/16	2014/15
		R'000	R'000
<b>Recoverable revenue</b>			
Opening balance		10,643	12,947
Transfers:		(5,645)	(2,304)
Debts recovered (included in departmental receipts)		(5,645)	(2,398)
Debts raised		-	94
Closing balance		<b>4,998</b>	<b>10,643</b>
<b>TOTAL</b>		<b>4,998</b>	<b>10,643</b>

## CASH FLOW STATEMENT

for the year ended 31 March 2016

	Note	2015/16	2014/15
		R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>6,319,328</b>	<b>6,137,452</b>
Annual appropriated funds received	1.1	6,312,222	6,121,320
Departmental revenue received	2	4,797	11,113
Interest received	2.3	2,300	5,019
Net (increase)/decrease in working capital		(409,768)	36,070
Surrendered to Revenue Fund	13&14	(111,938)	(215,874)
Current payments	3&4	(800,320)	(3,014,601)
Interest paid	5	(1,573)	(9)
Payments for financial assets	6	(44,403)	(3,439)
Transfers and subsidies paid	7	(5,411,314)	(2,577,774)
Net cash flow available from operating activities	17	(459,997)	361,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8	(23,537)	(420,714)
Proceeds from capital assets		9	
<b>Net cash flows from investing activities</b>		<b>(23,528)</b>	<b>(420,714)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		(5,645)	(2,304)
<b>Net cash flows from financing activities</b>		<b>(5,645)</b>	<b>(2,304)</b>
Net increase/(decrease) in cash and cash equivalents		(489,170)	(61,193)
Cash and cash equivalents at beginning of period		(159,191)	(97,998)
<b>Cash and cash equivalents at end of period</b>	<b>18</b>	<b>(648,361)</b>	<b>(159,191)</b>

## ACCOUNTING POLICIES

### for the year ended 31 March 2016

#### Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. Management has concluded that the financial statements present fairly the department's primary and secondary information.

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

<b>1</b>	<b>Basis of preparation</b> The financial statements have been prepared in accordance with the Modified Cash Standard.
<b>2</b>	<b>Going concern</b> The financial statements have been prepared on a going concern basis.
<b>3</b>	<b>Presentation currency</b> Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.
<b>4</b>	<b>Rounding</b> Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).
<b>5</b>	<b>Foreign currency translation</b> Cash flows arising from foreign currency transactions are translated into South African Rands using the spot exchange rates prevailing at the date of payment / receipt.
<b>6</b>	<b>Comparative information</b>
<b>6.1</b>	<b>Prior period comparative information</b> Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.
<b>6.2</b>	<b>Current year comparison with budget</b> A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.
<b>7</b>	<b>Revenue</b>
<b>7.1</b>	<b>Appropriated funds</b> Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation). Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective. The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.
<b>7.2</b>	<b>Departmental revenue</b> Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise. Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

## ACCOUNTING POLICIES

### for the year ended 31 March 2016

<b>7.3</b>	<p><b>Accrued departmental revenue</b></p> <p>Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:</p> <ul style="list-style-type: none"> <li>· it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and</li> <li>· the amount of revenue can be measured reliably.</li> </ul> <p>The accrued revenue is measured at the fair value of the consideration receivable.</p> <p>Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.</p>
<b>8</b>	<b>Expenditure</b>
<b>8.1</b>	<p><b>Compensation of employees</b></p>
<b>8.1.1</b>	<p><b>Salaries and wages</b></p> <p>Salaries and wages are recognised in the statement of financial performance on the date of payment.</p>
<b>8.1.2</b>	<p><b>Social contributions</b></p> <p>Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.</p> <p>Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.</p>
<b>8.2</b>	<p><b>Other expenditure</b></p> <p>Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.</p>
<b>8.3</b>	<p><b>Accrued expenditure payable</b></p> <p>Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department or in the case of transfers and subsidies when they are due and payable.</p> <p>Accrued expenditure payable is measured at cost.</p>
<b>8.4</b>	<p><b>Leases</b></p>
<b>8.4.1</b>	<p><b>Operating leases</b></p> <p>Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.</p> <p>The operating lease commitments are recorded in the notes to the financial statements.</p>
<b>8.4.2</b>	<p><b>Finance leases</b></p> <p>Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.</p> <p>The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.</p> <p>Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:</p> <ul style="list-style-type: none"> <li>· cost, being the fair value of the asset; or</li> <li>· the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.</li> </ul>

## ACCOUNTING POLICIES

### for the year ended 31 March 2016

<b>9</b>	<b>Aid Assistance</b>
<b>9.1</b>	<p><b>Aid assistance received</b></p> <p>Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.</p> <p>Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.</p>
<b>9.2</b>	<p><b>Aid assistance paid</b></p> <p>Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.</p>
<b>10</b>	<p><b>Cash and cash equivalents</b></p> <p>Cash and cash equivalents are stated at cost in the statement of financial position.</p> <p>Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.</p> <p>For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.</p>
<b>11</b>	<p><b>Prepayments and advances</b></p> <p>Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.</p> <p>Prepayments and advances are initially and subsequently measured at cost.</p>
<b>12</b>	<p><b>Loans and receivables</b></p> <p>Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. Write-offs are made according to the department's write-off policy.</p>
<b>13</b>	<p><b>Investments</b></p> <p>Investments are recognised in the statement of financial position at cost.</p>
<b>14</b>	<b>Financial assets</b>
<b>14.1</b>	<p><b>Impairment of financial assets</b></p> <p>Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes</p>
<b>15</b>	<p><b>Payables</b></p> <p>Loans and payables are recognised in the statement of financial position at cost.</p>
<b>16</b>	<b>Capital Assets</b>
<b>16.1</b>	<p><b>Movable capital assets</b></p> <p>Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.</p> <p>Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity in which case the completed project costs are transferred to that department.</p>

## ACCOUNTING POLICIES

### for the year ended 31 March 2016

<b>16.2</b>	<p><b>Intangible assets</b></p> <p>Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.</p> <p>Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.</p> <p>Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.</p>
<b>17</b>	<p><b>Provisions and Contingents</b></p>
<b>17.1</b>	<p><b>Provisions</b></p> <p>Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.</p>
<b>17.2</b>	<p><b>Contingent liabilities</b></p> <p>Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.</p>
<b>17.3</b>	<p><b>Contingent assets</b></p> <p>Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.</p>
<b>17.4</b>	<p><b>Commitments</b></p> <p>Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.</p>
<b>18</b>	<p><b>Unauthorised expenditure</b></p> <p>Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:</p> <ul style="list-style-type: none"> <li>· approved by Parliament or the Provincial Legislature with funding and the related funds are received; or</li> <li>· approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or</li> <li>· transferred to receivables for recovery.</li> </ul> <p>Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.</p>
<b>19</b>	<p><b>Fruitless and wasteful expenditure</b></p> <p>Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.</p> <p>Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.</p> <p>Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>

## ACCOUNTING POLICIES

### for the year ended 31 March 2016

20	<p><b>Irregular expenditure</b></p> <p>Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.</p> <p>Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.</p> <p>Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
21	<p><b>Changes in accounting policies, accounting estimates and errors</b></p> <p>Changes in accounting policies that are effected by management have been applied retrospectively in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such instances the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.</p> <p>Changes in accounting estimates are applied prospectively in accordance with MCS requirements.</p> <p>Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.</p>
22	<p><b>Events after the reporting date</b></p> <p>Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.</p>
23	<p><b>Principal-Agent arrangements</b></p> <p>The department is party to a principal-agent arrangement. In terms of the arrangement the department is the principal / agent. All related revenues, expenditures, assets and liabilities have been recognised or recorded in terms of the relevant policies listed herein. Additional disclosures have been provided in the notes to the financial statements where appropriate.</p>
24	<p><b>Recoverable revenue</b></p> <p>Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.</p>
25	<p><b>Related party transactions</b></p> <p>A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions within the Minister's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.</p> <p>Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. The number of individuals and their full compensation is recorded in the notes to the financial statements.</p>
26	<p><b>Public-Private Partnerships</b></p> <p>Public Private Partnerships are accounted for based on the nature and or the substance of the partnership. The transaction is accounted for in accordance with the relevant accounting policies.</p> <p>A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of commencement thereof together with the description and nature of the concession fees received, the unitary fees paid, rights and obligations of the department are recorded in the notes to the financial statements.</p>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

## 1. Annual Appropriation

### 1.1 Annual Appropriation

	2015/16		2014/15	
	Final Appropriation	Actual Funds Received	Final Appropriation	Appropriation received
	R'000	R'000	R'000	R'000
Administration	480,334	480,334	620 404	620 404
Intergovernmental Coordination	46,015	46,015	26 719	26 719
Expanded Public Works Programme	1,953,369	1,953,369	1 946 480	1 946 480
Property and Construction Industry Policy and Research	3,742,985	3,742,985	3 342 207	3 342 207
Prestige Policy	89,519	89,519	185 510	185 510
<b>Total</b>	<b>6,312,222</b>	<b>6,312,222</b>	<b>6,121,320</b>	<b>6,121,320</b>

## 2. Departmental revenue

	Note	2015/16	2014/15
		R'000	R'000
Sales of goods and services other than capital assets	2.1	985	6,667
Fines, penalties and forfeits	2.2	-	7
Interest, dividends and rent on land	2.3	2,300	5,019
Sales of capital assets	2.4	9	
Transactions in financial assets and liabilities	2.5	3,812	4,439
<b>Departmental revenue collected</b>		<b>7,106</b>	<b>16,132</b>

### 2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	2	977	6,605
Sales by market establishment		-	496
Other sales		977	6,109
Sales of scrap, waste and other used current goods		8	62
<b>Total</b>		<b>985</b>	<b>6,667</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 2.2 Fines, penalties and forfeits

	Note	2015/16	2014/15
	2	R'000	R'000
Fines		-	7
<b>Total</b>		<b>-</b>	<b>7</b>

#### 2.3 Interest, dividends and rent on land

Interest		2,300	5,019
<b>Total</b>		<b>2,300</b>	<b>5,019</b>

#### 2.4 Sales of capital assets

Machinery and equipment		9	-
<b>Total</b>		<b>9</b>	<b>-</b>

#### 2.5 Transactions in financial assets and liabilities

Loans and advances	2		
Receivables		3,344	552
Other Receipts including Recoverable Revenue		468	3,887
<b>Total</b>		<b>3,812</b>	<b>4,439</b>

### 3. Compensation of employees

#### 3.1 Salaries and Wages

Basic salary	2	294,608	1,100,041
Performance award		4,204	17,643
Service Based		358	2,359
Compensative/circumstantial		13,448	30,688
Periodic payments		646	775
Other non-pensionable allowances		79,848	237,936
<b>Total</b>		<b>393,112</b>	<b>1,389,442</b>

Reduction of salaries and wages expenditure is due to the transfer of budget and related functions to the PMTE.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3.2 Social contributions

<b>Employer contributions</b>	3		
Pension		32,170	133,394
Medical		10,519	68,592
Bargaining council		57	347
<b>Total</b>		<b>42,746</b>	<b>202,333</b>
<b>Total compensation of employees</b>		<b>435,858</b>	<b>1,591,775</b>
Average number of employees		1,540	5,774

Reduction of social contributions expenditure is due to the transfer of budget and related functions to the PMTE.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 4. Goods and services

	Note	2015/16	2014/15
		R'000	R'000
Administrative fees		1,162	474
Advertising		7,389	12,208
Minor assets	4.1	3,447	11,803
Bursaries (employees)		147	292
Catering		1,866	2,246
Communication		12,644	24,030
Computer services	4.2	40,200	35,906
Consultants: Business and advisory services		26,214	48,169
Infrastructure and planning services		25,340	22,866
Legal services		14,987	22,466
Contractors		43,599	116,259
Agency and support / outsourced services		98,892	256,997
Entertainment		177	301
Audit cost - external	4.3	16,420	58,887
Fleet services		1,914	18,059
Consumables	4.4	7,553	28,575
Operating leases		3,920	228,190
Property payments	4.5	1,390	419,256
Rental and hiring		245	1,173
Travel and subsistence	4.6	43,543	91,053
Venues and facilities		3,035	5,275
Training and development		5,083	14,457
Other operating expenditure	4.7	5,295	9,385
<b>Total</b>		<b>364,462</b>	<b>1,428,327</b>

Reduction of goods and services expenditure is due to the transfer of budget and related functions to the PMTE.

#### 4.1 Minor assets

	Note	2015/16	2014/15
		R'000	R'000
Tangible assets		3,447	11,803
Machinery and equipment		3,447	11,803
<b>Total</b>		<b>3,447</b>	<b>11,803</b>

#### 4.2 Computer services

	Note	2015/16	2014/15
SITA computer services	4	28,188	9,029
External computer service providers		12,012	26,877

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

<b>Total</b>		<b>40,200</b>	<b>35,906</b>
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#### 4.3 Audit cost - External

	4		
Regularity audits		16,420	58,887
<b>Total</b>		<b>16,420</b>	<b>58,887</b>

#### 4.4 Consumables

	4		
<b>Consumable supplies</b>		<b>2,071</b>	<b>17,073</b>
Uniform and clothing		925	1,959
Household supplies		216	6,628
Building material and supplies		170	5,480
Communication accessories		1	10
IT consumables		211	1,050
Other consumables		548	1,946
Stationery, printing and office supplies		5,482	11,502
<b>Total</b>		<b>7,553</b>	<b>28,575</b>

#### 4.5 Property payments

	4		
Municipal services		-	272,758
Property management fees		-	13,638
Property maintenance and repairs		-	127,632
Other		1,390	5,228
<b>Total</b>		<b>1,390</b>	<b>419,256</b>

#### 4.6 Travel and subsistence

	Note	2015/16	2014/15
		R'000	R'000
	4		
Local		41,542	90,527
Foreign		2,001	526
<b>Total</b>		<b>43,543</b>	<b>91,053</b>

#### 4.7 Other operating expenditure

	4		
Professional bodies, membership and subscription fees		1,634	285
Resettlement costs		397	1,046
Other		3,264	8,054
<b>Total</b>		<b>5,295</b>	<b>9,385</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

### 5. Interest and rent on land

Interest paid		1,573	9
<b>Total</b>		<b>1,573</b>	<b>9</b>

### 6. Payments for financial assets

Other material losses written off	6.1	32,080	3,439
Debts written off	6.2	12,323	-
<b>Total</b>		<b>44,403</b>	<b>3,439</b>

#### 6.1 Other material losses written off

	6		
<b>Nature of losses</b>			
Claims recoverable		-	10
Recoverable expenditure		32,080	1,440
Prepayments		-	1,989
<b>Total</b>		<b>32,080</b>	<b>3,439</b>

#### 6.2 Other debt written off

	6		
<b>Nature of losses</b>			
BAS Debts		12,323	-
<b>Total</b>		<b>12,323</b>	<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 7. Transfers and subsidies

	Note	2015/16	2014/15
		R'000	R'000
Provinces and municipalities	34, 35	1,139,399	1,200,254
Departmental agencies and accounts	Annex 1B	3,653,519	802,476
Foreign governments and international organisations	Annex 1D	23,363	22,548
Public corporations and private enterprises	Annex 1C	50,000	50,000
Non-profit institutions	Annex 1E	535,147	488,502
Households	Annex 1F	9,886	13,994
<b>Total</b>		<b>5,411,314</b>	<b>2,577,774</b>
Unspent funds transferred to the above beneficiaries		<b>130,999</b>	<b>198,573</b>

#### 8. Expenditure for capital assets

<b>Tangible assets</b>		<b>23,180</b>	<b>419,491</b>
Buildings and other fixed structures		-	315,914
Machinery and equipment	30.1	23,180	103,577
<b>Intangible assets</b>		<b>357</b>	<b>1,223</b>
Software	31.1	357	1,223
<b>Total</b>		<b>23,537</b>	<b>420,714</b>
The following amounts have been included as project costs in Expenditure for capital assets			
Goods and services		-	193
<b>Total</b>		<b>-</b>	<b>193</b>

#### 8.1 Analysis of funds utilised to acquire capital assets - 2015/16

	Voted funds	Total
	R'000	R'000
<b>Tangible assets</b>	<b>23,180</b>	<b>23,180</b>
Machinery and equipment	23,180	23,180
<b>Intangible assets</b>	<b>357</b>	<b>357</b>
Software	357	357
<b>Total</b>	<b>23,537</b>	<b>23,537</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 8.2 Analysis of funds utilised to acquire capital assets - 2014/15

	Voted funds	Total
	R'000	R'000
<b>Tangible assets</b>	<b>419,491</b>	<b>419,491</b>
Buildings and other fixed structures	315,914	315,914
Machinery and equipment	103,577	103,577
<b>Intangible assets</b>	<b>1,223</b>	<b>1,223</b>
Software	1,223	1,223
<b>Total</b>	<b>420,714</b>	<b>420,714</b>

#### 8.3 Finance lease expenditure included in Expenditure for capital assets

	Note	2015/16	2014/15
		R'000	R'000
<b>Tangible assets</b>		<b>3,644</b>	<b>11,749</b>
Machinery and equipment		3,644	11,749
<b>Total</b>		<b>3,644</b>	<b>11,749</b>

## 9. Unauthorised expenditure

### 9.1 Reconciliation of unauthorised expenditure

Opening balance	261,169	255,668
Prior period error		-
As restated	261,169	255,668
Unauthorised expenditure - discovered in current year (as restated)	-	5,501
<b>Closing balance</b>	<b>261,169</b>	<b>261,169</b>

### 9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification

Current	80,755	80,755
Capital	178,087	178,087
Transfers and subsidies	2,327	2,327
<b>Total</b>	<b>261,169</b>	<b>261,169</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 9.3 Analysis of unauthorised expenditure awaiting authorisation per type

	2015/16	2014/15
	R'000	R'000
Unauthorised expenditure relating to overspending of the vote or a main division within a vote	83,082	83,082
Unauthorised expenditure incurred not in accordance with the purpose of the vote or main division	178,087	178,087
<b>Total</b>	<b>261,169</b>	<b>261,169</b>

#### 9.4 Details of unauthorised expenditure

Incident	Disciplinary steps taken/criminal proceedings	R'000
Unauthorised expenditure under capital expenditure incurred towards build of schools which is a provincial competency.		174,102
Unauthorised expenditure on capital assets procured for the schools.		3,985
Overspending on compensation of employees		67,135
Overspending on goods and services		13,620
Overspending on transfers and subsidies		2,327
<b>Total</b>		<b>261,169</b>

#### 10. Cash and cash equivalents

Cash on hand	167	182
<b>Total</b>	<b>167</b>	<b>182</b>

#### 11. Prepayments and advances

Travel and subsistence		149	182
Prepayments (Not expensed)	11.2	6,237	2,315
Advances paid	11.1	5,031	10,379
<b>Total</b>		<b>11,417</b>	<b>12,876</b>

##### 11.1 Advances paid

National departments		12	-
Public entities		5,018	10,378
Other entities		1	1
<b>Total</b>		<b>5,031</b>	<b>10,378</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 11.2 Prepayments (Not expensed)

	Note	2015/16	2014/15
		R'000	R'000
	11		
Goods and services		6,237	2,315
<b>Total</b>		<b>6,237</b>	<b>2,315</b>

#### 12. Receivables

	Note	2015/16			2014/15		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	12.1	457,758	40,055	497,813	7,464	7,194	14,658
Recoverable expenditure	12.2	184	326	510	830	43,952	44,782
Staff debt	12.3	73	226	299	220	1,124	1,344
Fruitless and wasteful expenditure	12.5	-	-	-	-	94	94
Other debtors	12.4	2	2,330	2,332	221	23,202	23,423
<b>Total</b>		<b>458,017</b>	<b>42,937</b>	<b>500,954</b>	<b>8,735</b>	<b>75,566</b>	<b>84,301</b>

#### 12.1 Claims recoverable

	12 and Annex 3	2015/16	2014/15
		R'000	R'000
National departments		40,221	3,480
Public entities		457,592	11,178
<b>Total</b>		<b>497,813</b>	<b>14,658</b>

#### 12.2 Recoverable expenditure (disallowance accounts)

Disallowance	406	43,751
Private telephone	4	3
Salary accounts	100	1,028
<b>Total</b>	<b>510</b>	<b>44,782</b>

#### 12.3 Staff debt

	12	2015/16	2014/15
		R'000	R'000
Personnel debt		299	1,344
<b>Total</b>		<b>299</b>	<b>1,344</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 12.4 Other debtors

	Note	2015/16	2014/15
		R'000	R'000
	12		
Breach of contract (bursaries)		2,332	23,423
<b>Total</b>		<b>2,332</b>	<b>23,423</b>

#### 12.5 Fruitless and wasteful expenditure

	12		
Opening balance		94	2
Less amounts recovered		(94)	(2)
Transfers from note 26 Fruitless and Wasteful Expenditure		-	94
<b>Total</b>		<b>-</b>	<b>94</b>

#### 12.6 Impairment of receivables

Estimate of impairment of receivables		2,269	52,971
<b>Total</b>		<b>2,269</b>	<b>52,971</b>

#### 13. Voted funds to be surrendered to the Revenue Fund

Opening balance		104,798	158,838
As restated		104,798	158,838
Transfer from statement of financial performance (as restated)		31,075	99,282
Add: Unauthorised expenditure for current year	9	-	5,501
Paid during the year		(104,795)	(158,823)
<b>Closing balance</b>		<b>31,078</b>	<b>104,798</b>

#### 14. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

Opening balance		5,375	46,294
As restated		5,375	46,294
Transfer from Statement of Financial Performance (as restated)		7,106	16,132
Paid during the year		(7,143)	(57,051)
<b>Closing balance</b>		<b>5,338</b>	<b>5,375</b>

#### 15. Bank Overdraft

Consolidated Paymaster General Account		648,528	159,373
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

<b>Total</b>	<b>648,528</b>	<b>159,373</b>
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#### 16. Payables - current

	Note	2015/16 R'000	2014/15 R'000
Advances received	16.1	79,393	75,280
Clearing accounts	16.2	622	1,131
Other payables	16.3	3,750	1,928
<b>Total</b>		<b>83,765</b>	<b>78,339</b>

#### 16.1 Advances received

	16		
National departments		79,147	65,380
Provincial departments		246	9,900
<b>Total</b>		<b>79,393</b>	<b>75,280</b>

#### 16.2 Clearing accounts

	16		
Salary income tax (Payable to SARS)		584	906
Salary clearing accounts		38	225
<b>Total</b>		<b>622</b>	<b>1,131</b>

#### 16.3 Other payables

Funds received from the state for the R450 million security upgrades at his private residence. The amount has since been confirmed by the Constitutional Court. It is not certain if the amount will be paid directly to the Department or National Treasury.		1,927	
Unspent funds received from Northern Cape Department of National Treasury.		317	
Funds received from various Departments on behalf of PVMB		3,041	1
<b>Total</b>		<b>3,750</b>	<b>1,928</b>

#### 17. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance	38,181	115,414
Add back non cash/cash movements not deemed operating activities	(498,178)	246,411
(Increase)/decrease in receivables - current	(416,653)	(7,634)
(Increase)/decrease in prepayments and advances	1,459	17,418
Increase/(decrease) in payables - current	5,426	31,787
Proceeds from sale of capital assets	(9)	
Expenditure on capital assets	23,537	420,714
Surrenders to Revenue Fund	(111,938)	(215,874)
<b>Net cash flow generated by operating activities</b>	<b>(459,997)</b>	<b>361,825</b>

#### 18. Reconciliation of cash and cash equivalents for cash flow purposes

Note	2015/16 R'000	2014/15 R'000
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Consolidated Paymaster General account	(648,528)	(159,373)
Cash on hand	167	182
<b>Total</b>	<b>(648,361)</b>	<b>(159,191)</b>

## 19. Contingent liabilities and contingent assets

### 19.1 Contingent liabilities

Liable to	Nature			
Housing loan guarantees	Employees	Annex 2A	13	13
Claims against the department		Annex 2B	10	229
Intergovernmental payables (unconfirmed balances)		Annex 4	6,428	-
<b>Total</b>			<b>6,451</b>	<b>242</b>

### 19.2 Contingent Assets

#### Nature of contingent assets

Non-security upgrades to President's residence			7,814	-
			<b>7,814</b>	<b>-</b>

## 20. Commitments

#### Current expenditure

Approved and contracted	163,880	279,765
Approved but not yet contracted	2,746	631
	166,626	280,396

#### Capital expenditure

Approved and contracted	8,951	3,922
Approved but not yet contracted	5,266	-
	14,217	3,922
<b>Total Commitments</b>	<b>180,843</b>	<b>284,318</b>

## 21. Accruals and payables not recognised

### 21.1 Accruals

#### Listed by economic classification

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

	30 Days	30+ Days	Total	Total
Goods and services	23,301	-	23,301	29,488
Transfers and subsidies	-	-	-	8
Capital assets	-	-	-	1,821
Other	25	-	25	44
<b>Total</b>	<b>23,326</b>	<b>-</b>	<b>23,326</b>	<b>31,361</b>

	Note	2015/16 R'000	2014/15 R'000
<b>Listed by programme level</b>			
Administration		14,123	9,176
Intergovernmental Coordination		300	309
Expanded Public Works Programme		8,195	16,181
Property and Construction Industry Policy and Research		357	2,841
Prestige Policy		351	2,854
<b>Total</b>		<b>23,326</b>	<b>31,361</b>

### 21.2 Payables not recognised

#### Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and services	25,584	48	25,632	-
Transfers and subsidies	11	-	-	-
Capital assets	9,426	54	-	-
<b>Total</b>	<b>35,021</b>	<b>102</b>	<b>35,123</b>	<b>-</b>

#### Listed by programme level

Administration		20,028	-
Intergovernmental Coordination		345	-
Expanded Public Works Programme		14,257	-
Property and Construction Industry Policy and Research		33	-
Prestige Policy		460	-
<b>Total</b>		<b>35,123</b>	<b>-</b>

Included in the above totals are the following:

Confirmed balances with other departments	Annex 4	2,848	3,316
Confirmed balances with other government entities	Annex 4	3,010	42,655
<b>Total</b>		<b>5,858</b>	<b>45,971</b>

### 22. Employee benefits

Leave entitlement	18,565	15,516
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Service bonus (Thirteenth cheque)	8,841	7,749
Performance awards	5,362	4,161
Capped leave commitments	8,661	8,124
Other	959	787
<b>Total</b>	<b>42,388</b>	<b>36,337</b>

At this stage the department is not able to reliably measure the long term portion of the long service awards. The 19m leave entitlement represent the debit amounts, there are also credit balances amounting to R355k not included on the balance.

### 23. Lease commitments

#### 23.1 Operating leases expenditure

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	5,760	-	5,760
Later than 1 year and not later than 5 years	-	-	1,459	-	1,459
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>7,219</b>	<b>-</b>	<b>7,219</b>

#### 23.2 Finance leases expenditure

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	3,653	3,653
Later than 1 year and not later than 5 years	-	-	-	1,295	1,295
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,948</b>	<b>4,948</b>

2014/15	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	1,370	1,370
Later than 1 year and not later than 5 years	-	-	-	3,237	3,237
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,607</b>	<b>4,607</b>

The Department has entered into finance lease arrangement for cell phones for a period of two years, as well as participating in a lease contract for photocopy machines arranged by the National Treasury for three years. All the contracts have no escalation clauses and are procured via tender process on expiry.

### 24. Accrued departmental revenue

Note	2015/16	2014/15
	R'000	R'000

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Interest, dividends and rent on land	1,711	4,069
<b>Total</b>	<b>1,711</b>	<b>4,069</b>

#### 24.1 Analysis of accrued departmental revenue

Opening balance	4,069	3,800
Less: amounts received	(46)	(4,686)
Add: amounts recognised	295	4,955
Less: amounts written-off/reversed as irrecoverable	(2,607)	-
<b>Closing balance</b>	<b>1,711</b>	<b>4,069</b>

#### 24.2 Impairment of accrued departmental revenue

Note	2015/16	2014/15
	R'000	R'000
Estimate of impairment of accrued departmental revenue	1,193	-
<b>Total</b>	<b>1,193</b>	<b>-</b>

## 25. Irregular expenditure

#### 25.1 Reconciliation of irregular expenditure

Opening balance	366,366	501,231
Prior period error		(1,740)
As restated	366,366	499,491
Add: Irregular expenditure – relating to prior year		
Add: Irregular expenditure – relating to current year	1,673	40,695
Less: Current year amounts condoned	-	(144,255)
Less: Amounts not condoned and recoverable	-	(23,778)
Less: Amounts not condoned and not recoverable	-	(5,787)
<b>Closing balance</b>	<b>368,039</b>	<b>366,366</b>

#### Analysis of awaiting condonation per age classification

Current year	1,673	40,695
Prior years	366,366	325,671
<b>Total</b>	<b>368,039</b>	<b>366,366</b>

Irregular expenditure incurred in current year amounts to R1.6 million due to requirements for the local contents and production not followed, and instances where three (3) quotations were not obtained. The incidence on local contents and production relate to instances where procurement made in the previous financial year and payment made in the current financial year.

#### 25.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2015/16 R'000
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Non-compliance with the prescripts of local contents and production	Approval for condonation to be finalised in 2016/17	923
Payments on expired contract	Letter sent to relevant managers for explanation	63
Deviations to obtain three quotations not justifiable	Letter sent to relevant managers for explanation	584
Increased transfer payments to Commonwealth not approved by NT	Condonation requested from National Treasury	90
Quotations letter not accepted by authorised official	Sent letter to manager for explanation	13
<b>Total</b>		<b>1,673</b>

#### 25.3 Details of irregular expenditures under investigation

Incident		
Procurement processes not followed		295,631
Finance lease period increased without approval of National Treasury		10,262
Local content not applied		6,022
Transfer payment to Agrément SA not approved by National Treasury		56,021
Transfer payment increase to Commonwealth not approved by National Treasury		90
Quotations letter not accepted by authorised official		13
<b>Total</b>		<b>368,039</b>

#### 25.4 Prior period error

Note	2014/15
	R'000
<b>Nature of prior period error</b>	
Relating to 2013/14 [affecting the opening balance]	(1,740)
PMTE transactions already transferred to PMTE	(1,470)
Transactions condoned in prior years	(270)
<b>Total prior period errors</b>	<b>(1,740)</b>

Prior period error includes an amount of R1.5 million which was transferred to the PMTE in the previous years and R270 000 condoned in prior year (2013/14).

## 26. Fruitless and wasteful expenditure

### 26.1 Reconciliation of fruitless and wasteful expenditure

Note	2015/16	2014/15
	R'000	R'000
Opening balance	1,065	49,480
Prior period error		-
As restated	1,065	49,480
Fruitless and wasteful expenditure – relating to prior year	67	-
Fruitless and wasteful expenditure – relating to current year	1,573	2,127
Less: Amounts resolved	-	(50 448)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Less: Amounts transferred to receivables for recovery	15.6	-	(94)
<b>Closing balance</b>		<b>2,705</b>	<b>1,065</b>

#### 26.2 Analysis of awaiting resolution per economic classification

Current		2,705	1,065
<b>Total</b>		<b>2,705</b>	<b>1,065</b>

#### 26.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings		
Interest paid on overdue	Application for condonation being considered by delegated authority		1,573
<b>Total</b>			<b>1,573</b>

## 27. Related party transactions

#### Payments made

Goods and services	-	418,665
Interest and rent on land	-	9
Expenditure for capital assets	-	19,335
Payments for financial assets	-	3,242
<b>Total</b>	-	<b>441,251</b>

#### Other

Guarantees issued/received	-	3,401
<b>Total</b>	-	<b>3,401</b>

#### Related parties to the Department

The following entities/departments have been identified as related parties of the Department:

- Independent Development Trust (IDT) - Government development agency to implement projects commissioned by government.
- Parliamentary Village Management Board - To provide transport from and to the parliamentary villages for residents (Parliamentarians and sessional officials) who are in Cape Town.
- Agrément South Africa (ASA) - Promote and support the process of integrated socio-economic development in SA.
- Council for the Built Environment (CBE) - Oversee built environment professional councils.
- Construction Industry Development Board (CIDB) - Provide strategic direction for sustainable growth, reform and improvements of the construction sector and its role in the economy.
- Property Management Trading Entity (PMTE) - To manage devolved accommodation-related costs and user charge.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### Related parties transactions

##### 1. Independent Development trust

The management fee (identified as a non-arm's length transaction) and the contract cost is disclosed above. The management fee structure varies per project depending on the duration, complexity and labour required and is embedded in the contract cost of the projects undertaken by the IDT for the Department.

##### 2. Property Management Trading Entity (PMTE)

The Property Management Trading Entity (PMTE) operates within the administration of the Department of Public Works (DPW) and as such all contracts are entered into in the name of the DPW. The liabilities and obligations arising from these transactions are accounted for by the PMTE if it relates to the PMTE operating activities as these liabilities will be settled using the PMTE funds and resources.

##### 2.1 Details of In kind goods and services provided/received

###### Indirect cost

Indirect costs include the sharing of administrative services between the Department and the PMTE. The nature of the transactions resulted in difficulties in reliably determining the value of the indirect costs paid on behalf of the PMTE due to the operational structure and functions between the Department and the PMTE.

## 28. Key management personnel

	No. of Individuals	2015/16 R'000	2014/15 R'000
Political office bearers (provide detail below)	2	4,253	4,034
Officials:			
Level 15 to 16	16	18,345	15,592
Level 14 (incl. CFO if at a lower level)	28	29,082	53 836
Secondment	8	9,530	12 135
Family members of key management personnel		-	688
<b>Total</b>		<b>61,210</b>	<b>86,285</b>

The Political office bearers are the Minister and Deputy Minister of the Department of Public Works.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### 29. Public Private Partnership

<b>Unitary fee paid</b>	<b>5,438</b>	<b>60,622</b>
Fixed component	141	885
Indexed component	5,297	59,737
<b>Analysis of indexed component</b>	<b>5,298</b>	<b>59,737</b>
Goods and services (excluding lease payments)	1,709	18,829
Operating leases	3,589	40,908
<b>Capital / (Liabilities)</b>	<b>141</b>	<b>885</b>
Tangible rights	141	885
<b>Other</b>	<b>1,367</b>	<b>1,339</b>
Other obligations	1,367	1,339

Any guarantees issued by the department are disclosed in Note 19.1

The Department participates in the fleet contract through the Department of Transport provided by Phakisa. The contract operates currently on a month to month from 1 December 2015 for a period not longer than 15 months expiring February 2017.

Included in other obligations amount of R1.3 million are Operating Lease Commitments amounting to R189 000 and Accruals amounting to R1.2 million.

#### 30. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016					
	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>HERITAGE ASSETS</b>	<b>111,703</b>	<b>-</b>	<b>25</b>	<b>(272)</b>	<b>111,456</b>
Heritage assets	111,703	-	25	(272)	111,456
<b>MACHINERY AND EQUIPMENT</b>	<b>272,438</b>	<b>-</b>	<b>23,872</b>	<b>(9,057)</b>	<b>287,253</b>
Transport assets	3,138	-	918	(9)	4,047
Computer equipment	50,706	-	8,943	(1,309)	58,340
Furniture and office equipment	198,112	-	11,772	(6,134)	203,750
Other machinery and equipment	20,482	-	2,239	(1,605)	21,116

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	384,141	-	23,897	(9,329)	398,709
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## 30.1 Additions

<b>ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016</b>					
	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>HERITAGE ASSETS</b>	-	25	-	-	25
Heritage assets	-	25	-	-	25
<b>MACHINERY AND EQUIPMENT</b>	23,180	4,175	(3,675)	192	23,872
Transport assets	918	-	-	-	918
Computer equipment	6,471	2,329	-	143	8,943
Furniture and office equipment	10,684	1,039	-	49	11,772
Other machinery and equipment	5,107	807	(3,675)	-	2,239
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	23,180	4,200	(3,675)	192	23,897

## 30.2 Disposals

<b>DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016</b>				
	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>HERITAGE ASSETS</b>	-	272	272	-
Heritage assets	-	272	272	-
<b>MACHINERY AND EQUIPMENT</b>	6,134	2,923	9,057	9

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Transport assets	-	9	9	-
Computer equipment	-	1,309	1,309	-
Furniture and office equipment	6,134	-	6,134	9
Other machinery and equipment	-	1,605	1,605	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>6,134</b>	<b>3,195</b>	<b>9,329</b>	<b>9</b>

### 30.3 Movement for 2014/15

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015					
	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>HERITAGE ASSETS</b>	<b>111,930</b>	<b>(40)</b>	<b>13</b>	<b>(200)</b>	<b>111,703</b>
Heritage assets	111,930	(40)	13	(200)	111,703
<b>MACHINERY AND EQUIPMENT</b>	<b>378,486</b>	<b>28</b>	<b>80,159</b>	<b>(186,595)</b>	<b>272,438</b>
Transport assets	1,917	-	1,374	(153)	3,138
Computer equipment	94,168	-	44,028	(87,490)	50,706
Furniture and office equipment	226,944	3	27,910	(56,745)	198,112
Other machinery and equipment	55,457	25	7,207	(42,207)	20,482
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>490,416</b>	<b>(12)</b>	<b>80,532</b>	<b>(186,795)</b>	<b>384,141</b>

### 30.3.1 Prior period error

	Note	2014/15
		R'000
<b>Nature of prior period error</b>		
Relating to 2013/14 [affecting the opening balance]		(12)
Heritage assets		(40)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

Furniture and office equipment	3
Other machinery and equipment	25
Relating to 2014/15	<b>(6,690)</b>
Transport assets	(643)
Computer equipment	(820)
Furniture and office equipment	(5,069)
Other machinery and equipment	(158)
<b>Total prior period errors</b>	<b>(6,702)</b>

### 30.4 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2016						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	5,596	108,699	-	114,296
Additions			8	5,963		5,971
Disposals			(5)	(5,846)		(5,851)
<b>TOTAL MINOR ASSETS</b>	<b>-</b>	<b>-</b>	<b>5,599</b>	<b>108,816</b>	<b>-</b>	<b>114,416</b>

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	3,312	-	3,312
Number of minor assets at cost	-	-	1,963	61,491	-	63,454
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,963</b>	<b>64,803</b>	<b>-</b>	<b>66,766</b>

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2015						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	51	5,633	150,877	-	156,562
Prior period error	-	(1)	-	9	-	8
Additions	-	-	7	13,265	-	13,272
Disposals	-	(50)	44	55,452	-	55,546
<b>TOTAL MINOR ASSETS</b>	<b>-</b>	<b>-</b>	<b>5,596</b>	<b>108,699</b>	<b>-</b>	<b>114,296</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	3,265	-	3,265
Number of minor assets at cost	-	-	1,963	61,863	-	63,826
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,963</b>	<b>65,128</b>	<b>-</b>	<b>67,091</b>

#### 30.4.1 Prior period error

	Note	2014/15 R'000
<b>Nature of prior period error</b>		
Relating to 2013/14 [affecting the opening balance]		8
Intangible assets		(1)
Machinery and equipment		9
Relating to 2014/15		11
Machinery and equipment		11
Total prior period errors		19

### 31. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016					
	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	59,640	-	357	(8)	59,989
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>59,640</b>	<b>-</b>	<b>357</b>	<b>(8)</b>	<b>59,989</b>

#### 31.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016					
	Cash	Non-Cash	(Development work in progress - current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	357	-	-	-	357
<b>TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS</b>	<b>357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

### 31.2 Disposals

DISPOSALS OF INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016				
	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
SOFTWARE	-	8	8	-
<b>TOTAL DISPOSALS OF INTANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>8</b>	<b>8</b>	<b>-</b>

### 31.3 Movement for 2014/15

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015					
	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	66,608	-	1,203	(8,171)	59,640
MASTHEADS AND PUBLISHING TITLES	131	-	-	(131)	-
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	352	-	-	(352)	-
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>67,091</b>	<b>-</b>	<b>1,203</b>	<b>(8,654)</b>	<b>59,640</b>

## 32. Principal-agent arrangements

### 32.1 Department acting as the principal

	Fee paid	
	2015/16	2014/15
	R'000	R'000
International Labour Organisation	1,350	1,616
Independent Development Trust	14,725	13,633
<b>Total</b>	<b>16,075</b>	<b>15,249</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

"The Department has an arrangement with the following entities:

Government Communication and Information System (GCIS) - Placement of adverts for the consolidation of procurement with service providers. The department does not pay any management fee for the service.

International Labour Organisation (ILO) -The ILO assists the Department with capacity and best practice methodology for the implementation of EPWP projects. The ILO receives 13% of direct project cost.

Independent Development Trust (IDT) Construction of strategic priority projects of the department. The IDT receives 3.5% of the project cost for project management services provided.

### 32.2 Department acting as the agent

#### 32.2.1 Reconciliation of funds and disbursements - 2015/16

Category of revenue or expenditure per arrangement	Total funds received	Expenditure incurred against funds
	R'000	R'000
National Department of Higher Education and Training	144,588	65,441
Eastern Cape Provincial Department of Roads and Public Works	9,900	9,654
<b>Total</b>	<b>154,488</b>	<b>75,095</b>

#### 32.2.2 Reconciliation of carrying amount of receivables and payables - 2015/16

##### Receivables

	Opening balance	Less: Write-offs/ settlements/ waivers	Closing Balance
	R'000	R'000	R'000
National Department of Basic Education and Training	40,054	-	40,054
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>40,054</b>	<b>-</b>	<b>40,054</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2016

### 33. Prior period errors

#### 33.1 Correction of prior period errors

	Note	2014/15 R'000
Expenditure		
Irregular expenditure		(1,740)
<b>Net effect</b>		<b>(1,740)</b>

Prior period error includes an amount of R1.4 million for PMTE and R270 000 condoned in prior year (2013/14). Irregular expenditure increased by R1.6 million due to local contents and production not followed, and to obtain three quotations. The local content and production irregular expenditure relate to procurement made in the previous financial year and payment made in the current financial year.

	Note	
<b>Assets:</b>		
Movable assets		(6,720)
Minor assets		19
<b>Net effect</b>		<b>(6,701)</b>

#### **2013-2014 Financial year:**

*The errors were as a result of cost price changes and reclassification of assets, identified in the current financial year.*

#### **2014-15 Financial year:**

*The errors are as a result of assets that were reported incorrectly as PMTE during the split of the asset register, some assets were also reported as DPW instead of PMTE.*

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**34. STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES**

NAME OF PROVINCE/ GRANT	GRANT ALLOCATION				TRANSFER			SPENT			2014/15 Division of Revenue Act				
	R'000	R'000	R'000	R'000	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by department	Amount spent by department		% of available funds spent by department	R'000	%	R'000
<b>Summary by province</b>															
Eastern Cape	86,991	-	(4,211)	82,780	82,780	-	-	-	82,780	82,148	99%	111,258			
Free State	44,204	-	(3,215)	40,989	40,989	-	-	-	40,989	40,940	100%	38,301			
Gauteng	97,329	-	(5,673)	91,656	91,656	-	-	-	91,656	91,325	100%	96,903			
Kwazulu-Natal	111,645	-	(1,737)	109,908	109,908	-	-	-	109,908	109,386	100%	117,489			
Limpopo	52,050	-	(9,869)	42,181	42,181	-	-	-	42,181	41,160	98%	50,879			
Mpumalanga	66,543	-	(6,375)	60,168	60,168	-	-	-	60,168	59,192	98%	58,772			
Northern Cape	33,727	-	(4,338)	29,389	28,789	600	-	-	28,789	26,400	92%	42,366			
North West	64,315	-	(2,015)	62,300	62,300	-	-	-	62,300	57,822	92%	40,555			
Western Cape	34,371	-	(1,432)	32,939	32,939	-	-	-	32,939	32,350	92%	50,396			
<b>TOTAL</b>	<b>591,175</b>	<b>-</b>	<b>(38,865)</b>	<b>552,310</b>	<b>551,710</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>551,710</b>	<b>540,723</b>		<b>606,919</b>			
<b>Summary by grant</b>															
	350,612	-	(24,405)	326,207	325,607	600	-	-	325,607	318,269	98%	348,947			
	240,563	-	(14,460)	226,103	226,103	-	-	-	226,103	222,454	98%	257,972			
	591,175	-	(38,865)	552,310	551,710	600	-	-	551,710	540,723		606,919			

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for the year ended 31 March 2016

<b>1. EPWP Integrated Grant for Provinces</b>										
Eastern Cape	75,937	-	(3,362)	72,575	72,575	-	72,575	72,060	99%	69,544
Free State	22,825	-	(1,544)	21,281	21,281	-	21,281	21,228	100%	26,601
Gauteng	24,627	-	(3,986)	20,641	20,641	-	20,641	20,610	100%	23,565
Kwazulu-Natal	90,143	-	(1,737)	88,406	88,406	-	88,406	87,884	99%	97,945
Limpopo	25,115	-	(4,429)	20,686	20,686	-	20,686	19,723	95%	32,247
Mpumalanga	36,810	-	(3,405)	33,405	33,405	-	33,405	32,711	98%	39,928
Northern Cape	17,723	-	(3,778)	13,945	13,945	600	13,345	12,057	90%	20,348
North West	33,061	-	(949)	32,112	32,112	-	32,112	28,918	90%	14,249
Western Cape	24,371	-	(1,215)	23,156	23,156	-	23,156	23,078	100%	24,520
	<b>350,612</b>	-	<b>(24,405)</b>	<b>326,207</b>	<b>325,607</b>	<b>600</b>	<b>325,607</b>	<b>318,269</b>		<b>348,947</b>
<b>2. Social Sector EPWP Incentive Grant for Provinces</b>										
Eastern Cape	11,054	-	(849)	10,205	10,205	-	10,205	10,088	99%	41,714
Free State	21,379	-	(1,671)	19,708	19,708	-	19,708	19,712	100%	11,700
Gauteng	72,702	-	(1,687)	71,015	71,015	-	71,015	70,715	100%	73,338
Kwazulu-Natal	21,502	-	-	21,502	21,502	-	21,502	21,502	99%	19,544
Limpopo	26,935	-	(5,440)	21,495	21,495	-	21,495	21,437	100%	18,632
Mpumalanga	29,733	-	(2,970)	26,763	26,763	-	26,763	26,481	99%	18,844
Northern Cape	16,004	-	(560)	15,444	15,444	-	15,444	14,343	93%	22,018
North West	31,254	-	(1,066)	30,188	30,188	-	30,188	28,904	96%	26,306
Western Cape	10,000	-	(217)	9,783	9,783	-	9,783	9,272	95%	25,876
	<b>240,563</b>	-	<b>(14,460)</b>	<b>226,103</b>	<b>226,103</b>	-	<b>226,103</b>	<b>222,454</b>		<b>257,972</b>

National Departments are reminded of the DORA requirements to indicate any re-allocations by the National Treasury or the transferring department, certify that all transfers in terms of this Act were deposited into the primary bank account of a province or, where appropriate, into the CPD account of a province as well as indicate the funds utilised for the administration of the receiving officer.

Departments are required to include a summary of expenditure per conditional grant to aid in the identification of under- / over spending of such funds and to allow the department to provide an explanation for the variance

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**35. STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Buffalo City	1,149	-	-	1,149	1,149	-	-	-
Nelson Mandela Bay	8,664	-	-	8,664	8,664	-	-	-
Camdeboo	1,000	-	-	1,000	1,000	-	-	-
Blue Crane Route	1,000	-	-	1,000	1,000	-	-	-
Ikwezi	1,000	-	-	1,000	1,000	-	-	-
Makana	1,002	-	-	1,002	1,002	-	-	-
Ndlambe	1,000	-	-	1,000	1,000	-	-	-
Sundays River Valley	1,000	-	-	1,000	1,000	-	-	-
Baviaans	1,018	-	-	1,018	1,018	-	-	-
Kouga	1,000	-	-	1,000	1,000	-	-	-
Kou-Kamma	1,000	-	-	1,000	1,000	-	-	-
Cacadu District Municipality	1,133	-	-	1,133	1,133	-	-	-
Mbhashe	1,052	-	-	1,052	1,052	-	-	-
Mnquma	1,000	-	-	1,000	1,000	-	-	-
Great Kei	1,000	-	-	1,000	1,000	-	-	-
Amahlathi	1,056	-	-	1,056	1,056	-	-	-
Ngqushwa	1,000	-	-	1,000	1,000	-	-	-
Nkonkobe	1,041	-	-	1,041	1,041	-	-	-
Nxuba	1,000	-	-	1,000	1,000	-	-	-
Amathole District Municipality	2,667	-	-	2,667	2,667	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Inxuba Yethemba	1,308	-	-	1,308	1,308	-	-	-
Tsolwana	1,060	-	-	1,060	1,060	-	-	-
Inkwanca	1,000	-	-	1,000	1,000	-	-	-
Lukanji	1,529	-	-	1,529	1,529	-	-	-
Intsika Yethu	1,271	-	-	1,271	1,271	-	-	-
Emalahleni	1,000	-	-	1,000	1,000	-	-	-
Engcobo	1,672	-	-	1,672	1,672	-	-	-
Sakhisizwe	1,000	-	-	1,000	1,000	-	-	-
Chris Hani District Municipality	5,961	-	-	5,961	5,961	-	-	-
Elundini	1,268	-	-	1,268	1,268	-	-	-
Senqu	2,059	-	-	2,059	2,059	-	-	-
Maletswai	1,085	-	-	1,085	1,085	-	-	-
Gariep	1,000	-	-	1,000	1,000	-	-	-
Joe Gqabi District Municipality	1,379	-	-	1,379	1,379	-	-	-
Ngquza Hill	1,036	-	-	1,036	1,036	-	-	-
Port St Johns	1,149	-	-	1,149	1,149	-	-	-
Nyandeni	1,219	-	-	1,219	1,219	-	-	-
Mhlontlo	1,000	-	-	1,000	1,000	-	-	-
King Sabata Dalindyebo	1,768	-	-	1,768	1,768	-	-	-
O.R.Tambo District Municipality	6,693	-	-	6,693	6,693	-	-	-
Matatiele	1,780	-	-	1,780	1,780	-	-	-

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for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Umzimvubu	1,737	-	-	1,737	1,737	-	-	-
Mbizana	1,000	-	-	1,000	1,000	-	-	-
Ntbankulu	1,031	-	-	1,031	1,031	-	-	-
Alfred Nzo District Municipality	4,853	-	-	4,853	4,853	-	-	-
Mangaung	3,097	-	-	3,097	3,097	-	-	-
Letsemeng	1,000	-	-	1,000	1,000	-	-	-
Kopanong	1,363	-	-	1,363	1,363	-	-	-
Mohokare	1,000	-	-	1,000	1,000	-	-	-
Naledi	1,000	-	-	1,000	1,000	-	-	-
Xhariep District Municipality	1,111	-	-	1,111	1,111	-	-	-
Masilonyana	1,112	-	-	1,112	1,112	-	-	-
Tokologo	1,223	-	-	1,223	1,223	-	-	-
Tswelopele	1,073	-	-	1,073	1,073	-	-	-
Matjhabeng	1,072	-	-	1,072	1,072	-	-	-
Nala	1,000	-	-	1,000	1,000	-	-	-
Lejweleputswa District Municipality	1,000	-	-	1,000	1,000	-	-	-
Setsoto	2,042	-	-	2,042	2,042	-	-	-
Dihlabeng	1,000	-	-	1,000	1,000	-	-	-
Nketoana	1,108	-	-	1,108	1,108	-	-	-
Maluti-a-Phofung	5,718	-	-	5,718	5,718	-	-	-
Phumelela	1,000	-	-	1,000	1,000	-	-	-
Mantsopa	1,000	-	-	1,000	1,000	-	-	-

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NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Thabo Mofutsanyana District Municipality	1,208	-	-	1,208	1,208	-	-	-	-
Moghaka	1,151	-	-	1,151	1,151	-	-	-	-
Ngwathe	1,097	-	-	1,097	1,097	-	-	-	-
Metsimaholo	1,020	-	-	1,020	1,020	-	-	-	-
Mafube	1,000	-	-	1,000	1,000	-	-	-	-
Fezile Dabi District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Ekurhuleni	13,709	-	-	13,709	13,709	-	-	-	-
City of Johannesburg	38,447	-	-	38,447	38,447	-	-	-	-
City of Tshwane	31,143	-	-	31,143	31,143	-	-	-	-
Emfuleni	3,553	-	-	3,553	3,553	-	-	-	-
Midvaal	1,327	-	-	1,327	1,327	-	-	-	-
Lesedi	1,347	-	-	1,347	1,347	-	-	-	-
Sedibeng District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Mogale City	1,266	-	-	1,266	1,266	-	-	-	-
Randfontein	1,000	-	-	1,000	1,000	-	-	-	-
Westonaria	2,024	-	-	2,024	2,024	-	-	-	-
Merafong City	1,775	-	-	1,775	1,775	-	-	-	-
West Rand District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Ethekwini	40,618	-	-	40,618	40,618	-	-	-	-
Vulamehlo	1,000	-	-	1,000	1,000	-	-	-	-
Umdoni	1,069	-	-	1,069	1,069	-	-	-	-

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Umzambe	1,084	-	-	1,084	1,084	-	-	-
UMuziwabantu	1,036	-	-	1,036	1,036	-	-	-
Ezingoleni	1,430	-	-	1,430	1,430	-	-	-
Hibiscus Coast	1,000	-	-	1,000	1,000	-	-	-
Ugu District Municipality	1,826	-	-	1,826	1,826	-	-	-
uMshwathi	1,115	-	-	1,115	1,115	-	-	-
uMngeni	1,438	-	-	1,438	1,438	-	-	-
Mpofana	1,000	-	-	1,000	1,000	-	-	-
Impendle	1,255	-	-	1,255	1,255	-	-	-
The Msunduzi	4,032	-	-	4,032	4,032	-	-	-
Mkhambathini	1,058	-	-	1,058	1,058	-	-	-
Richmond	1,046	-	-	1,046	1,046	-	-	-
Umgungundlovu District Municipality	2,499	-	-	2,499	2,499	-	-	-
Emnambithi/Ladysmith	4,513	-	-	4,513	4,513	-	-	-
Indaka	1,000	-	-	1,000	1,000	-	-	-
Umtshezi	1,050	-	-	1,050	1,050	-	-	-
Okhahlamba	1,803	-	-	1,803	1,803	-	-	-
Imbabazane	1,409	-	-	1,409	1,409	-	-	-
Uthukela District Municipality	2,384	-	-	2,384	2,384	-	-	-
Endumeni	1,125	-	-	1,125	1,125	-	-	-
Nqutu	1,529	-	-	1,529	1,529	-	-	-

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Msinga	2,422	-	-	2,422	2,422	-	-	-
Umvoti	1,954	-	-	1,954	1,954	-	-	-
Umqunyathi District Municipality	3,434	-	-	3,434	3,434	-	-	-
Newcastle	3,286	-	-	3,286	3,286	-	-	-
Emadlangeni	1,030	-	-	1,030	1,030	-	-	-
Dannhauser	1,000	-	-	1,000	1,000	-	-	-
Amajuba District Municipality	1,252	-	-	1,252	1,252	-	-	-
eDumbe	1,055	-	-	1,055	1,055	-	-	-
UPhongolo	4,449	-	-	4,449	4,449	-	-	-
Abaqulusi	1,417	-	-	1,417	1,417	-	-	-
Nongoma	1,624	-	-	1,624	1,624	-	-	-
Ulundi	1,332	-	-	1,332	1,332	-	-	-
Zululand District Municipality	3,800	-	-	3,800	3,800	-	-	-
Umhlabuyalingana	1,294	-	-	1,294	1,294	-	-	-
Jozini	1,899	-	-	1,899	1,899	-	-	-
The Big 5 False Bay	1,000	-	-	1,000	1,000	-	-	-
Hlabisa	1,000	-	-	1,000	1,000	-	-	-
Mtubatuba	1,000	-	-	1,000	1,000	-	-	-
Umkhanyakude District Municipality	1,308	-	-	1,308	1,308	-	-	-
Mfolozi	1,000	-	-	1,000	1,000	-	-	-
uMhlatuze	2,961	-	-	2,961	2,961	-	-	-

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NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	%	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		
Ntambanana	1,463	-	-	1,463	1,463	-	-	-	
uMlalazi	3,037	-	-	3,037	3,037	-	-	-	
Mthonjaneni	2,264	-	-	2,264	2,264	-	-	-	
Nkandla	1,025	-	-	1,025	1,025	-	-	-	
Uthungulu District Municipality	6,639	-	-	6,639	6,639	-	-	-	
Mandeni	1,755	-	-	1,755	1,755	-	-	-	
KwaDukuza	1,418	-	-	1,418	1,418	-	-	-	
Ndwedwe	1,158	-	-	1,158	1,158	-	-	-	
Maphumulo	1,003	-	-	1,003	1,003	-	-	-	
iLembe District Municipality	1,536	-	-	1,536	1,536	-	-	-	
Ingwe	1,070	-	-	1,070	1,070	-	-	-	
Kwa Sani	1,000	-	-	1,000	1,000	-	-	-	
Greater Kokstad	1,997	-	-	1,997	1,997	-	-	-	
Ubuhlebezwe	1,420	-	-	1,420	1,420	-	-	-	
Uzimbikhu	1,872	-	-	1,872	1,872	-	-	-	
Sisonke District Municipality	3,466	-	-	3,466	3,466	-	-	-	
Greater Giyani	1,581	-	-	1,581	1,581	-	-	-	
Greater Letaba	1,489	-	-	1,489	1,489	-	-	-	
Greater Tzaneen	1,842	-	-	1,842	1,842	-	-	-	
Ba-Phalaborwa	1,188	-	-	1,188	1,188	-	-	-	
Maruleng	1,038	-	-	1,038	1,038	-	-	-	

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NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Mopani District Municipality	1,630	-	-	1,630	1,630	-	-	-	-
Musina	1,112	-	-	1,112	1,112	-	-	-	-
Mutale	1,131	-	-	1,131	1,131	-	-	-	-
Thulamela	2,302	-	-	2,302	2,302	-	-	-	-
Makhado	1,335	-	-	1,335	1,335	-	-	-	-
Vhembe District Municipality	4,344	-	-	4,344	4,344	-	-	-	-
Blouberg	1,613	-	-	1,613	1,613	-	-	-	-
Aganang	1,357	-	-	1,357	1,357	-	-	-	-
Molemole	1,000	-	-	1,000	1,000	-	-	-	-
Polokwane	4,516	-	-	4,516	4,516	-	-	-	-
Lepele-Nkumpi	1,525	-	-	1,525	1,525	-	-	-	-
Capricorn District Municipality	1,921	-	-	1,921	1,921	-	-	-	-
Thabazimbi	2,735	-	-	2,735	2,735	-	-	-	-
Lephalale	1,187	-	-	1,187	1,187	-	-	-	-
Mookgopong	1,097	-	-	1,097	1,097	-	-	-	-
Modimolle	1,598	-	-	1,598	1,598	-	-	-	-
Bela-Bela	1,083	-	-	1,083	1,083	-	-	-	-
Mogalakwena	2,150	-	-	2,150	2,150	-	-	-	-
Waterberg District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Ephraim Mogale	1,157	-	-	1,157	1,157	-	-	-	-
Elias Motsoaledi	1,163	-	-	1,163	1,163	-	-	-	-

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Makhuduthamaga	1,069	-	-	1,069	1,069	-	-	-
Fetakgomo	1,000	-	-	1,000	1,000	-	-	-
Greater Tubatse	1,229	-	-	1,229	1,229	-	-	-
Greater Sekhukhune District Municipality	1,939	-	-	1,939	1,939	-	-	-
Albert Luthuli	2,059	-	-	2,059	2,059	-	-	-
Msukaligwa	1,238	-	-	1,238	1,238	-	-	-
Mkhondo	2,348	-	-	2,348	2,348	-	-	-
Pixley Ka Seme	2,642	-	-	2,642	2,642	-	-	-
Lekwa	1,173	-	-	1,173	1,173	-	-	-
Dipaleseng	1,439	-	-	1,439	1,439	-	-	-
Govan Mbeki	2,145	-	-	2,145	2,145	-	-	-
Gert Sibande District Municipality	2,676	-	-	2,676	2,676	-	-	-
Victor Khanye	2,103	-	-	2,103	2,103	-	-	-
Emalaheni	1,378	-	-	1,378	1,378	-	-	-
Steve Tshwete	1,583	-	-	1,583	1,583	-	-	-
Emakhazeni	1,089	-	-	1,089	1,089	-	-	-
Thembisile	3,117	-	-	3,117	3,117	-	-	-
Dr JS Moroka	3,257	-	-	3,257	3,257	-	-	-
Nkangala District Municipality	2,280	-	-	2,280	2,280	-	-	-
Thaba Chweu	1,340	-	-	1,340	1,340	-	-	-
Mbombela	6,899	-	-	6,899	6,899	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Umjindi	1,435	-	-	1,435	1,435	-	-	-	-
Nkomazi	4,762	-	-	4,762	4,762	-	-	-	-
Bushbuckridge	2,551	-	-	2,551	2,551	-	-	-	-
Ehlanzeni District Municipality	1,908	-	-	1,908	1,908	-	-	-	-
Richtersveld	1,000	-	-	1,000	1,000	-	-	-	-
Nama Khoi	1,000	-	-	1,000	1,000	-	-	-	-
Kamiesberg	-	-	-	-	-	-	-	-	-
Hantam	1,153	-	-	1,153	1,153	-	-	-	-
Karoo Hoogland	1,000	-	-	1,000	1,000	-	-	-	-
Kháí-Ma	-	-	-	-	-	-	-	-	-
Namakwa District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Ubuntu	1,000	-	-	1,000	1,000	-	-	-	-
Umsobomvu	1,000	-	-	1,000	1,000	-	-	-	-
Emthanjeni	1,000	-	-	1,000	1,000	-	-	-	-
Kareeberg	1,000	-	-	1,000	1,000	-	-	-	-
Renosterberg	1,000	-	-	1,000	1,000	-	-	-	-
Thembelihle	1,000	-	-	1,000	1,000	-	-	-	-
Siyathemba	1,000	-	-	1,000	1,000	-	-	-	-
Siyancuma	1,000	-	-	1,000	1,000	-	-	-	-
Pixley Ka Seme District Municipality	1,000	-	-	1,000	1,000	-	-	-	-
Mier	1,000	-	-	1,000	1,000	-	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Kai !Garib	1,189	-	-	1,189	1,189	-	-	-
//Khara Hais	1,000	-	-	1,000	1,000	-	-	-
!Kheis	1,000	-	-	1,000	1,000	-	-	-
Tsantsabane	1,000	-	-	1,000	1,000	-	-	-
Kgatelopele	1,000	-	-	1,000	1,000	-	-	-
Siyanda District Municipality	1,000	-	-	1,000	1,000	-	-	-
Sol Plaatjie	1,000	-	-	1,000	1,000	-	-	-
Dikgatlong	1,090	-	-	1,090	1,090	-	-	-
Magareng	1,138	-	-	1,138	1,138	-	-	-
Phokwane	1,170	-	-	1,170	1,170	-	-	-
Frances Baard District Municipality	1,000	-	-	1,000	1,000	-	-	-
Joe Morolong	2,336	-	-	2,336	2,336	-	-	-
Ga-Segonyana	1,050	-	-	1,050	1,050	-	-	-
Gamagara	1,000	-	-	1,000	1,000	-	-	-
John Taolo Gaetsewe District Municipality	1,000	-	-	1,000	1,000	-	-	-
Moretele	3,353	-	-	3,353	3,353	-	-	-
Madibeng	2,020	-	-	2,020	2,020	-	-	-
Rustenburg	3,384	-	-	3,384	3,384	-	-	-
Kgetlengrivier	1,878	-	-	1,878	1,878	-	-	-
Moses Kotane	1,446	-	-	1,446	1,446	-	-	-
Bojanala Platinum District Municipality	1,041	-	-	1,041	1,041	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION					TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Ratlou	1,085	-	-	1,085	1,085	-	-	-	-
Tswaing	1,067	-	-	1,067	1,067	-	-	-	-
Mafikeng	2,646	-	-	2,646	2,646	-	-	-	-
Ditsobotla	1,025	-	-	1,025	1,025	-	-	-	-
Ramotshere Moiloa	1,286	-	-	1,286	1,286	-	-	-	-
Ngaka Modiri Molema District Municipality	1,989	-	-	1,989	1,989	-	-	-	-
Naledi	1,876	-	-	1,876	1,876	-	-	-	-
Mamusa	1,169	-	-	1,169	1,169	-	-	-	-
Greater Taung	1,425	-	-	1,425	1,425	-	-	-	-
Lekwa-Teemane	1,072	-	-	1,072	1,072	-	-	-	-
Kagisano	1,014	-	-	1,014	1,014	-	-	-	-
Dr Ruth Segomotsi Mompati District Municipality	2,262	-	-	2,262	2,262	-	-	-	-
Ventersdorp	1,792	-	-	1,792	1,792	-	-	-	-
Tlokwe City Council	1,284	-	-	1,284	1,284	-	-	-	-
City of Matlosana	3,028	-	-	3,028	3,028	-	-	-	-
Maquassi Hills	1,000	-	-	1,000	1,000	-	-	-	-
Dr Kenneth Kaunda District Municipality	1,925	-	-	1,925	1,925	-	-	-	-
City of Cape Town	23,616	-	-	23,616	23,616	-	-	-	-
Matzikama	1,000	-	-	1,000	1,000	-	-	-	-
Cederberg	1,007	-	-	1,007	1,007	-	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%
Bergivier	1,070	-	-	1,070	1,070	-	-	-
Saldanha Bay	1,000	-	-	1,000	1,000	-	-	-
Swartland	1,185	-	-	1,185	1,185	-	-	-
West Coast District Municipality	1,000	-	-	1,000	1,000	-	-	-
Witzenberg	1,041	-	-	1,041	1,041	-	-	-
Drakenstein	1,112	-	-	1,112	1,112	-	-	-
Stellenbosch	1,075	-	-	1,075	1,075	-	-	-
Breede Valley	1,000	-	-	1,000	1,000	-	-	-
Langeberg	1,494	-	-	1,494	1,494	-	-	-
Cape Winelands District Municipality	1,000	-	-	1,000	1,000	-	-	-
Theewaterskloof	1,086	-	-	1,086	1,086	-	-	-
Overstrand	1,661	-	-	1,661	1,661	-	-	-
Cape Agulhas	1,000	-	-	1,000	1,000	-	-	-
Swellendam	1,215	-	-	1,215	1,215	-	-	-
Overberg District Municipality	1,000	-	-	1,000	1,000	-	-	-
Kannaland	1,000	-	-	1,000	1,000	-	-	-
Hessequa	1,000	-	-	1,000	1,000	-	-	-
Mosel Bay	1,499	-	-	1,499	1,499	-	-	-
George	1,864	-	-	1,864	1,864	-	-	-
Oudtshoorn	1,405	-	-	1,405	1,405	-	-	-
Bitou	1,052	-	-	1,052	1,052	-	-	-
Knysna	1,002	-	-	1,002	1,002	-	-	-

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			Re-allocations by National Treasury or National Department
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	R'000	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Eden District Municipality	1,005	-	-	1,005	1,005	-	1,005	-
Laingsburg	1,000	-	-	1,000	1,000	-	1,000	-
Prince Albert	1,000	-	-	1,000	1,000	-	1,000	-
Beaufort West	1,743	-	-	1,743	1,743	-	1,743	-
Central Karoo District Municipality	1,038	-	-	1,038	1,038	-	1,038	-
<b>TOTAL</b>	<b>587,685</b>	<b>-</b>	<b>-</b>	<b>587,685</b>	<b>587,685</b>	<b>-</b>	<b>587,685</b>	<b>-</b>

The Department certify that all transfers to Municipalities were deposited into the primary bank account in terms of the DORA.

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1A**

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Buffalo City	1 149	-	-	1 149	1 149	-	-	1 149	1 149	100%	1 890
Nelson Mandela Bay	8 664	-	-	8 664	8 664	-	-	8 664	1 066	12%	13 439
Camdeboo	1 000	-	-	1 000	1 000	-	-	1 000	745	75%	1 000
Blue Crane Route	1 000	-	-	1 000	1 000	-	-	1 000	733	73%	1 000
Ikwezi	1 000	-	-	1 000	1 000	-	-	1 000	665	67%	1 000
Makana	1 002	-	-	1 002	1 002	-	-	1 002	976	97%	1 007
Ndlambe	1 000	-	-	1 000	1 000	-	-	1 000	999	100%	1 000
Sundays River Valley	1 000	-	-	1 000	1 000	-	-	1 000	386	39%	1 000
Baviaans	1 018	-	-	1 018	1 018	-	-	1 018	722	71%	1 390
Kouga	1 000	-	-	1 000	1 000	-	-	1 000	877	88%	1 285
Kou-Kamma	1 000	-	-	1 000	1 000	-	-	1 000	684	68%	1 000
Cacadu District Municipality/Sarah Baartman	1 133	-	-	1 133	1 133	-	-	1 133	1 133	100%	1 236
Mbhashe	1 052	-	-	1 052	1 052	-	-	1 052	1 052	100%	1 153
Mnquma	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 522
Great Kei	1 000	-	-	1 000	1 000	-	-	1 000	824	82%	1 000
Amahlathi	1 056	-	-	1 056	1 056	-	-	1 056	1 056	100%	1 245

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds available spent by municipality %	Division of Revenue Act R'000
Ngqushwa	1 000	-	-	1 000	1 000	-	-	1 000	984	98%	1 000
Nkonkobe	1 041	-	-	1 041	1 041	-	-	1 041	1 018	98%	1 070
Nxuba	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 000
Amathole District Municipality	2 667	-	-	2 667	2 667	-	-	2 667	846	32%	3 045
Inxuba Yethemba	1 308	-	-	1 308	1 308	-	-	1 308	1 308	100%	1 487
Tsolwana	1 060	-	-	1 060	1 060	-	-	1 060	1 003	95%	1 177
Inkwanca	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 281
Lukanji	1 529	-	-	1 529	1 529	-	-	1 529	1 441	94%	1 714
Intsika Yethu	1 271	-	-	1 271	1 271	-	-	1 271	1 174	92%	1 849
Emalahleni(EC)	1 000	-	-	1 000	1 000	-	-	1 000	860	86%	1 217
Engcobo	1 672	-	-	1 672	1 672	-	-	1 672	1 672	100%	1 687
Sakhisizwe	1 000	-	-	1 000	1 000	-	-	1 000	958	96%	1 000
Chris Hani District Municipality	5 961	-	-	5 961	5 961	-	-	5 961	3 544	59%	9 124
Elundini	1 268	-	-	1 268	1 268	-	-	1 268	948	75%	1 590
Senqu	2 059	-	-	2 059	2 059	-	-	2 059	2 059	100%	1 976
Maletswai	1 085	-	-	1 085	1 085	-	-	1 085	1 085	100%	1 201
Gariep	1 000	-	-	1 000	1 000	-	-	1 000	740	74%	1 000
Joe Gqabi District Municipality	1 379	-	-	1 379	1 379	-	-	1 379	1 379	100%	1 309
Ngquza Hill	1 036	-	-	1 036	1 036	-	-	1 036	1 036	100%	1 000

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality %	Division of Revenue Act R'000
Port St Johns	1 149	-	-	1 149	1 149	-	-	1 149	472	41%	1 119
Nyandeni	1 219	-	-	1 219	1 219	-	-	1 219	1 218	100%	1 172
Mhlontlo	1 000	-	-	1 000	1 000	-	-	1 000	897	90%	1 221
King Sabata Dalindyebo	1 768	-	-	1 768	1 768	-	-	1 768	1 245	70%	1 529
O.R.Tambo District Municipality	6 693	-	-	6 693	6 693	-	-	6 693	4 405	66%	12 994
Matatiele	1 780	-	-	1 780	1 780	-	-	1 780	1 594	90%	4 485
Umzimvubu	1 737	-	-	1 737	1 737	-	-	1 737	1 737	100%	1 593
Mbizana	1 000	-	-	1 000	1 000	-	-	1 000	979	98%	1 000
Ntabankulu	1 031	-	-	1 031	1 031	-	-	1 031	762	74%	1 298
Alfred Nzo District Municipality	4 853	-	-	4 853	4 853	-	-	4 853	4 853	100%	8 323
Mangaung	3 097	-	-	3 097	3 097	-	-	3 097	2 876	93%	2 431
Letsemeng	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 010
Kopanong	1 363	-	-	1 363	1 363	-	-	1 363	865	63%	1 225
Mohokare	1 000	-	-	1 000	1 000	-	-	1 000	665	67%	1 033
Naledi(FS)	1 000	-	-	1 000	1 000	-	-	1 000	605	61%	1 000
Xhariep District Municipality	1 111	-	-	1 111	1 111	-	-	1 111	832	75%	1 080
Masilonyana	1 112	-	-	1 112	1 112	-	-	1 112	1 112	100%	1 023
Tokologo	1 223	-	-	1 223	1 223	-	-	1 223	906	74%	1 083
Tswelopele	1 073	-	-	1 073	1 073	-	-	1 073	1 073	100%	1 223

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality %	Division of Revenue Act R'000
Matjhabeng	1 072	-	-	1 072	1 072	-	-	1 072	807	75%	1 139
Nala	1 000	-	-	1 000	1 000	-	-	1 000	701	70%	1 034
Lejweleputswa District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	635	64%	-
Setso	2 042	-	-	2 042	2 042	-	-	2 042	2 042	100%	2 632
Dihlabeng	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 067
Nketoana	1 108	-	-	1 108	1 108	-	-	1 108	756	68%	1 104
Maluti-a-Phofung	5 718	-	-	5 718	5 718	-	-	5 718	5 574	97%	4 866
Phumelela	1 000	-	-	1 000	1 000	-	-	1 000	883	88%	1 000
Mantsopa	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 001
Thabo Mofutsanyana District Municipality	1 208	-	-	1 208	1 208	-	-	1 208	1 208	100%	1 282
Moghaka	1 151	-	-	1 151	1 151	-	-	1 151	760	66%	1 195
Ngwathe	1 097	-	-	1 097	1 097	-	-	1 097	1 097	100%	1 000
Metsimaholo	1 020	-	-	1 020	1 020	-	-	1 020	642	63%	1 109
Mafube	1 000	-	-	1 000	1 000	-	-	1 000	543	54%	1 000
Fezile Dabi District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	-	0%	1 055
Ekurhuleni	13 709	-	-	13 709	13 709	-	-	13 709	9 972	73%	6 422
City of Johannesburg	38 447	-	-	38 447	38 447	-	-	38 447	29 668	77%	36 492
City of Tshwane	31 143	-	-	31 143	31 143	-	-	31 143	31 143	100%	30 760
Emfuleni	3 553	-	-	3 553	3 553	-	-	3 553	3 553	100%	4 191

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality %	Division of Revenue Act R'000
Midvaal	1 327	-	-	1 327	1 327	-	-	1 327	1 327	100%	1 135
Lesedi	1 347	-	-	1 347	1 347	-	-	1 347	906	67%	1 269
Sedibeng District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	644	64%	1 000
Mogale City	1 266	-	-	1 266	1 266	-	-	1 266	557	44%	2 052
Randfontein	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 003
Westonaria	2 024	-	-	2 024	2 024	-	-	2 024	2 024	100%	2 231
Merafong City	1 775	-	-	1 775	1 775	-	-	1 775	1 721	97%	1 954
West Rand District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	740	74%	1 290
eThekweni	40 618	-	-	40 618	40 618	-	-	40 618	40 421	100%	34 154
Vulamehlo	1 000	-	-	1 000	1 000	-	-	1 000	917	92%	1 000
Umdoni	1 069	-	-	1 069	1 069	-	-	1 069	262	25%	1 261
Umzumbhe	1 084	-	-	1 084	1 084	-	-	1 084	701	65%	1 020
UMuziwabantu	1 036	-	-	1 036	1 036	-	-	1 036	651	63%	1 000
Ezingoleni	1 430	-	-	1 430	1 430	-	-	1 430	711	50%	1 053
Hibiscus Coast	1 000	-	-	1 000	1 000	-	-	1 000	455	46%	1 084
Ugu District Municipality	1 826	-	-	1 826	1 826	-	-	1 826	1 229	67%	1 368
uMshwathi	1 115	-	-	1 115	1 115	-	-	1 115	1 115	100%	1 000
uMngeni	1 438	-	-	1 438	1 438	-	-	1 438	570	40%	1 000
Mpofana	1 000	-	-	1 000	1 000	-	-	1 000	821	82%	1 000

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15 Division of Revenue Act	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Impendle	1 255	-	-	1 255	1 255	-	-	1 255	1 253	100%	1 294
Msunduzi	4 032	-	-	4 032	4 032	-	-	4 032	4 032	100%	2 782
Mkhambathini	1 058	-	-	1 058	1 058	-	-	1 058	750	71%	1 132
Richmond	1 046	-	-	1 046	1 046	-	-	1 046	1 046	100%	1 255
Umgungundlovu District Municipality	2 499	-	-	2 499	2 499	-	-	2 499	2 499	100%	3 321
Emnambithi/Ladysmith	4 513	-	-	4 513	4 513	-	-	4 513	3 853	85%	4 032
Indaka	1 000	-	-	1 000	1 000	-	-	1 000	301	30%	1 000
Umtshezi	1 050	-	-	1 050	1 050	-	-	1 050	782	74%	1 000
Okhahlamba	1 803	-	-	1 803	1 803	-	-	1 803	1 576	87%	1 159
Imbabazane	1 409	-	-	1 409	1 409	-	-	1 409	1 249	89%	1 000
Uthukela District Municipality	2 384	-	-	2 384	2 384	-	-	2 384	2 003	84%	3 299
Endumeni	1 125	-	-	1 125	1 125	-	-	1 125	754	67%	1 000
Nqutu	1 529	-	-	1 529	1 529	-	-	1 529	1 373	90%	1 254
Msinga	2 422	-	-	2 422	2 422	-	-	2 422	2 422	100%	1 899
Umvoti	1 954	-	-	1 954	1 954	-	-	1 954	1 494	76%	2 132
Umzinyathi District Municipality	3 434	-	-	3 434	3 434	-	-	3 434	1 958	57%	1 790
Newcastle	3 286	-	-	3 286	3 286	-	-	3 286	3 144	96%	2 411
Emadlangeni	1 030	-	-	1 030	1 030	-	-	1 030	1 030	100%	1 000
Dannhauser	1 000	-	-	1 000	1 000	-	-	1 000	600	60%	1 000

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality %	Division of Revenue Act R'000
Amajuba District Municipality	1 252	-	-	1 252	1 252	-	-	1 252	1 043	83%	1 276
eDumbe	1 055	-	-	1 055	1 055	-	-	1 055	712	67%	1 081
uPhongolo	4 449	-	-	4 449	4 449	-	-	4 449	2 277	51%	1 837
Abaqulusi	1 417	-	-	1 417	1 417	-	-	1 417	471	33%	1 376
Nongoma	1 624	-	-	1 624	1 624	-	-	1 624	1 078	66%	1 041
Ulundi	1 332	-	-	1 332	1 332	-	-	1 332	1 332	100%	1 031
Zululand District Municipality	3 800	-	-	3 800	3 800	-	-	3 800	3 800	100%	2 486
Umhlabuyalingana	1 294	-	-	1 294	1 294	-	-	1 294	1 294	100%	1 355
Jozini	1 899	-	-	1 899	1 899	-	-	1 899	1 899	100%	2 011
The Big 5 False Bay	1 000	-	-	1 000	1 000	-	-	1 000	382	38%	1 000
Hlabisa	1 000	-	-	1 000	1 000	-	-	1 000	709	71%	1 000
Mtubatuba	1 000	-	-	1 000	1 000	-	-	1 000	666	67%	1 059
Umkhanyakude District Municipality	1 308	-	-	1 308	1 308	-	-	1 308	144	11%	1 126
Mfolozi	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 455
uMhlatuze	2 961	-	-	2 961	2 961	-	-	2 961	791	27%	1 896
Ntambanana	1 463	-	-	1 463	1 463	-	-	1 463	987	67%	1 771
uMlalazi	3 037	-	-	3 037	3 037	-	-	3 037	1 920	63%	2 172
Mthonjaneni	2 264	-	-	2 264	2 264	-	-	2 264	1 586	70%	2 375
Nkandla	1 025	-	-	1 025	1 025	-	-	1 025	1 025	100%	1 648

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of funds available spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
uThungulu District Municipality	6 639	-	-	6 639	6 639	-	-	6 639	3 623	55%	5 337
Mandeni	1 755	-	-	1 755	1 755	-	-	1 755	1 447	82%	1 646
KwaDukuza	1 418	-	-	1 418	1 418	-	-	1 418	993	70%	1 248
Ndwedwe	1 158	-	-	1 158	1 158	-	-	1 158	1 158	100%	1 000
Maphumulo	1 003	-	-	1 003	1 003	-	-	1 003	618	62%	1 000
iLembe District Municipality	1 536	-	-	1 536	1 536	-	-	1 536	1 536	100%	2 218
Ingwe	1 070	-	-	1 070	1 070	-	-	1 070	1 070	100%	1 000
Kwa Sani	1 000	-	-	1 000	1 000	-	-	1 000	686	69%	1 081
Greater Kokstad	1 997	-	-	1 997	1 997	-	-	1 997	1 618	81%	1 754
Ubuhebezwe	1 420	-	-	1 420	1 420	-	-	1 420	932	66%	1 090
Umzimkhulu	1 872	-	-	1 872	1 872	-	-	1 872	1 872	100%	1 913
Harry Gwala/Sisonke District Municipality	3 466	-	-	3 466	3 466	-	-	3 466	1 353	39%	2 729
Greater Giyani	1 581	-	-	1 581	1 581	-	-	1 581	1 581	100%	1 480
Greater Letaba	1 489	-	-	1 489	1 489	-	-	1 489	1 070	72%	1 731
Greater Tzaneen	1 842	-	-	1 842	1 842	-	-	1 842	1 570	85%	2 060
Ba-Phalaborwa	1 188	-	-	1 188	1 188	-	-	1 188	654	55%	1 212
Maruleng	1 038	-	-	1 038	1 038	-	-	1 038	1 038	100%	1 316
Mopani District Municipality	1 630	-	-	1 630	1 630	-	-	1 630	1 141	70%	2 195

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds available spent by municipality %	Division of Revenue Act R'000
Musina	1 112	-	-	1 112	1 112	-	-	1 112	1 112	100%	1 067
Mutale	1 131	-	-	1 131	1 131	-	-	1 131	660	58%	1 357
Thulamela	2 302	-	-	2 302	2 302	-	-	2 302	2 302	100%	1 737
Makhado	1 335	-	-	1 335	1 335	-	-	1 335	1 335	100%	1 128
Vhembe District Municipality	4 344	-	-	4 344	4 344	-	-	4 344	3 966	91%	3 696
Blouberg	1 613	-	-	1 613	1 613	-	-	1 613	1 613	100%	1 651
Aganang	1 357	-	-	1 357	1 357	-	-	1 357	1 316	97%	1 536
Molemole	1 000	-	-	1 000	1 000	-	-	1 000	478	48%	1 454
City of Polokwane	4 516	-	-	4 516	4 516	-	-	4 516	3 267	72%	3 960
Lepele-Nkumpi	1 525	-	-	1 525	1 525	-	-	1 525	1 137	75%	1 712
Capricorn District Municipality	1 921	-	-	1 921	1 921	-	-	1 921	1 921	100%	1 964
Thabazimbi	2 735	-	-	2 735	2 735	-	-	2 735	2 245	82%	1 486
Lephalale	1 187	-	-	1 187	1 187	-	-	1 187	1 070	90%	1 035
Mookgopong	1 097	-	-	1 097	1 097	-	-	1 097	964	88%	1 134
Modimolle	1 598	-	-	1 598	1 598	-	-	1 598	1 091	68%	1 502
Bela-Bela	1 083	-	-	1 083	1 083	-	-	1 083	1 056	98%	1 123
Mogalakwena	2 150	-	-	2 150	2 150	-	-	2 150	1 624	76%	2 015
Waterberg District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	877	88%	1 000
Ephraim Mogale	1 157	-	-	1 157	1 157	-	-	1 157	934	81%	1 279

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of available funds spent by municipality %	Division of Revenue Act R'000
Elias Motsoaledi	1 163	-	-	1 163	1 163	-	-	1 163	613	53%	1 187
Makhuduthamaga	1 069	-	-	1 069	1 069	-	-	1 069	749	70%	1 032
Fetakgomo	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 052
Greater Tubatse	1 229	-	-	1 229	1 229	-	-	1 229	773	63%	1 364
Sekhukhune District Municipality	1 939	-	-	1 939	1 939	-	-	1 939	960	50%	3 466
Albert Luthuli	2 059	-	-	2 059	2 059	-	-	2 059	1 889	92%	4 105
Msulaligwa	1 238	-	-	1 238	1 238	-	-	1 238	1 207	97%	1 144
Mkhondo	2 348	-	-	2 348	2 348	-	-	2 348	2 254	96%	2 905
Pixley Ka Seme	2 642	-	-	2 642	2 642	-	-	2 642	2 603	99%	3 554
Lekwa	1 173	-	-	1 173	1 173	-	-	1 173	-	0%	1 190
Dipaleseng	1 439	-	-	1 439	1 439	-	-	1 439	1 256	87%	1 435
Govan Mbeki	2 145	-	-	2 145	2 145	-	-	2 145	2 145	100%	2 071
Gert Sibande District Municipality	2 676	-	-	2 676	2 676	-	-	2 676	2 152	80%	1 587
Victor Khanye	2 103	-	-	2 103	2 103	-	-	2 103	2 060	98%	1 823
Emalaheni(MP)	1 378	-	-	1 378	1 378	-	-	1 378	1 378	100%	2 446
Steve Tshwete	1 583	-	-	1 583	1 583	-	-	1 583	1 533	97%	1 705
Emakhazeni	1 089	-	-	1 089	1 089	-	-	1 089	607	56%	1 235
Thembisile Hani	3 117	-	-	3 117	3 117	-	-	3 117	2 617	84%	3 757
Dr JS Moroka	3 257	-	-	3 257	3 257	-	-	3 257	1 497	46%	3 406

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Nkangala District Municipality	2 280	-	-	2 280	2 280	-	-	2 280	2 280	100%	2 121
Thaba Chweu	1 340	-	-	1 340	1 340	-	-	1 340	1 340	100%	1 657
Mbombela	6 899	-	-	6 899	6 899	-	-	6 899	6 899	100%	6 040
Umjindi	1 435	-	-	1 435	1 435	-	-	1 435	989	69%	1 795
Nkomazi	4 762	-	-	4 762	4 762	-	-	4 762	4 411	93%	5 451
Bushbuckridge	2 551	-	-	2 551	2 551	-	-	2 551	2 551	100%	2 192
Ehlanzeni District Municipality	1 908	-	-	1 908	1 908	-	-	1 908	1 908	100%	2 887
Richtersveld	1 000	-	-	1 000	1 000	-	-	1 000	420	42%	1 000
Nama Khoi	1 000	-	-	1 000	1 000	-	-	1 000	462	46%	1 000
Kamiesberg	-	-	-	-	-	-	-	-	-	-	1 000
Hantam	1 153	-	-	1 153	1 153	-	-	1 153	1 134	98%	1 308
Karoo Hoogland	1 000	-	-	1 000	1 000	-	-	1 000	665	67%	1 000
Khâi-Ma	-	-	-	-	-	-	-	-	-	-	1 000
Namakwa District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	808	81%	1 000
Ubuntu	1 000	-	-	1 000	1 000	-	-	1 000	771	77%	1 000
Umsobomvu	1 000	-	-	1 000	1 000	-	-	1 000	645	65%	1 000
Emthanjeni	1 000	-	-	1 000	1 000	-	-	1 000	700	70%	1 000
Kareeberg	1 000	-	-	1 000	1 000	-	-	1 000	708	71%	1 000
Renosterberg	1 000	-	-	1 000	1 000	-	-	1 000	582	58%	1 000

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NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds available spent by municipality %	Division of Revenue Act R'000
Thembelihle	1 000	-	-	1 000	1 000	-	-	1 000	519	52%	1 000
Siyathemba	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 000
Siyancuma	1 000	-	-	1 000	1 000	-	-	1 000	772	77%	1 000
Pixley Ka Seme District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	368	37%	1 000
Mier	1 000	-	-	1 000	1 000	-	-	1 000	647	65%	1 000
Kai !Garib	1 189	-	-	1 189	1 189	-	-	1 189	917	77%	1 374
//Khara Hais	1 000	-	-	1 000	1 000	-	-	1 000	220	22%	1 015
!Kheis	1 000	-	-	1 000	1 000	-	-	1 000	554	55%	1 000
Tsantsabane	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 000
Kgatelopele	1 000	-	-	1 000	1 000	-	-	1 000	747	75%	1 000
ZF Mgcawu/Siyanda District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	320	32%	1 000
Sol Plaatjie	4 984	-	-	4 984	4 984	-	-	4 984	4 984	100%	5 330
Dikgatlong	1 090	-	-	1 090	1 090	-	-	1 090	710	65%	1 192
Magareng	1 138	-	-	1 138	1 138	-	-	1 138	1 138	100%	1 348
Phokwane	1 170	-	-	1 170	1 170	-	-	1 170	1 170	100%	1 215
Frances Baard District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	824	82%	1 006
Joe Morolong	2 336	-	-	2 336	2 336	-	-	2 336	2 094	90%	1 969
Ga-Segonyana	1 050	-	-	1 050	1 050	-	-	1 050	1 047	100%	1 000

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	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality	Division of Revenue Act R'000
Gamagara	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 000
John Taolo Gaetsewe District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	545	55%	1 000
Moretele	3 353	-	-	3 353	3 353	-	-	3 353	-	0%	2 546
Madibeng	2 020	-	-	2 020	2 020	-	-	2 020	1 746	86%	2 288
Rustenburg	3 384	-	-	3 384	3 384	-	-	3 384	1 104	33%	4 611
Kgetlengrivier	1 878	-	-	1 878	1 878	-	-	1 878	1 878	100%	2 207
Moses Kotane	1 446	-	-	1 446	1 446	-	-	1 446	448	31%	1 845
Bojanala Platinum District Municipality	1 041	-	-	1 041	1 041	-	-	1 041	889	85%	1 191
Ratlou	1 085	-	-	1 085	1 085	-	-	1 085	1 085	100%	1 757
Tswaing	1 067	-	-	1 067	1 067	-	-	1 067	952	89%	1 092
Mafikeng	2 646	-	-	2 646	2 646	-	-	2 646	2 646	100%	2 291
Ditsobotla	1 025	-	-	1 025	1 025	-	-	1 025	562	55%	1 181
Ramotshere Moiloa	1 286	-	-	1 286	1 286	-	-	1 286	1 286	100%	1 464
Ngaka Modiri Molema District Municipality	1 989	-	-	1 989	1 989	-	-	1 989	1 126	57%	3 142
Naledi(NW)	1 876	-	-	1 876	1 876	-	-	1 876	1 395	74%	1 846
Mamusa	1 169	-	-	1 169	1 169	-	-	1 169	741	63%	1 386
Greater Taung	1 425	-	-	1 425	1 425	-	-	1 425	1 098	77%	1 205
Lekwa-Teemane	1 072	-	-	1 072	1 072	-	-	1 072	868	81%	1 236
Kagisano/Molopo	1 014	-	-	1 014	1 014	-	-	1 014	860	85%	1 000

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	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Dr Ruth Segomotsi Mompoti District Municipality	2 262	-	-	2 262	2 262	-	-	2 262	1 693	75%	2 141
Ventersdorp	1 792	-	-	1 792	1 792	-	-	1 792	1 216	68%	1 388
Tlokwe	1 284	-	-	1 284	1 284	-	-	1 284	1 284	100%	1 000
City of Matlosana	3 028	-	-	3 028	3 028	-	-	3 028	1 961	65%	1 913
Maquassi Hills	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 189
Dr Kenneth Kaunda District Municipality	1 925	-	-	1 925	1 925	-	-	1 925	1 925	100%	1 000
City of Cape Town	23 616	-	-	23 616	23 616	-	-	23 616	14 477	61%	21 204
Matzikama	1 000	-	-	1 000	1 000	-	-	1 000	636	64%	1 201
Cederberg	1 007	-	-	1 007	1 007	-	-	1 007	1 007	100%	1 328
Bergivier	1 070	-	-	1 070	1 070	-	-	1 070	1 070	100%	1 147
Saldanha Bay	1 000	-	-	1 000	1 000	-	-	1 000	981	98%	1 086
Swartland	1 185	-	-	1 185	1 185	-	-	1 185	1 185	100%	1 213
West Coast District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	812	81%	1 000
Witzenberg	1 041	-	-	1 041	1 041	-	-	1 041	1 041	100%	1 000
Drakenstein	1 112	-	-	1 112	1 112	-	-	1 112	1 112	100%	1 000
Stellenbosch	1 075	-	-	1 075	1 075	-	-	1 075	693	64%	1 544
Breede Valley	1 000	-	-	1 000	1 000	-	-	1 000	974	97%	1 006
Langeberg	1 494	-	-	1 494	1 494	-	-	1 494	891	60%	1 440

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	Division of Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department %	Amount received by municipality R'000	Amount spent by municipality R'000	% of funds spent by municipality %	Division of Revenue Act R'000
Cape Winelands District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	849	85%	1 000
Theewaterskloof	1 086	-	-	1 086	1 086	-	-	1 086	796	73%	1 106
Overstrand	1 661	-	-	1 661	1 661	-	-	1 661	1 276	77%	1 768
Cape Agulhas	1 000	-	-	1 000	1 000	-	-	1 000	789	79%	1 120
Swellendam	1 215	-	-	1 215	1 215	-	-	1 215	762	63%	1 305
Overberg District Municipality	1 000	-	-	1 000	1 000	-	-	1 000	1 000	100%	1 056
Kannaland	1 000	-	-	1 000	1 000	-	-	1 000	895	90%	1 000
Hessequa	1 000	-	-	1 000	1 000	-	-	1 000	220	22%	1 335
Mossel Bay	1 499	-	-	1 499	1 499	-	-	1 499	692	46%	1 844
George	1 864	-	-	1 864	1 864	-	-	1 864	1 864	100%	2 933
Oudtshoorn	1 405	-	-	1 405	1 405	-	-	1 405	1 385	99%	1 665
Bitou	1 052	-	-	1 052	1 052	-	-	1 052	754	72%	1 371
Knysna	1 002	-	-	1 002	1 002	-	-	1 002	908	91%	1 000
Eden District Municipality	1 005	-	-	1 005	1 005	-	-	1 005	705	70%	1 000
Laingsburg	1 000	-	-	1 000	1 000	-	-	1 000	936	94%	1 013
Prince Albert	1 000	-	-	1 000	1 000	-	-	1 000	709	71%	1 000

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for the year ended 31 March 2016

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT		2014/15	
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Total Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Beaufort West	1 743	-	-	1 743	1 743	-	-	1 743	1 501	86%	1 834
Central Karoo District Municipality	1 038	-	-	1 038	1 038	-	-	1 038	711	68%	1 212
<b>Total</b>	<b>587 685</b>	<b>-</b>	<b>-</b>	<b>587 685</b>	<b>587 685</b>	<b>-</b>	<b>-</b>	<b>587 685</b>	<b>467 673</b>		<b>594 575</b>

National Departments are reminded of the DORA requirements to indicate any re-allocations by the National Treasury or the transferring department, certify that all transfers in terms of this Act were deposited into the primary bank account of a province or, where appropriate, into the CPD account of a province as well as indicate the funds utilised for the administration of the receiving officer.

Departments are required to include a summary of expenditure per conditional grant to aid in the identification of under- / over spending of such funds and to allow the department to provide an explanation for the variance

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1B**

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2014/15	
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred		Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%		R'000
Construction Industry Development Board	65,626	-	-	65,626	65,626	100%	77,212	
Council for the Built Environment	41,994	-	-	41,994	41,994	100%	41,572	
Property Management Trading Entity	3,524,652	-	-	3,524,652	3,524,652	100%	673,372	
Construction SETA	475	-	-	475	475	100%	1,660	
Parliamentary Village Management Board	9,090	-	-	9,090	9,090	100%	8,690	
Agrément SA	11,682	-	-	11,682	11,682	100%	-	
<b>TOTAL</b>	<b>3,653,519</b>	<b>-</b>	<b>-</b>	<b>3,653,519</b>	<b>3,653,519</b>	<b>100%</b>	<b>802,506</b>	

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1C**

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2014/15	
	Adjusted	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current		Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		R'000
Public Corporations										
Transfers	50,000	-	-	50,000	50,000	100.0%	-	50,000	50,000	
Independent Development Trust	50,000	-	-	50,000	50,000	100.0%	-	50,000	50,000	
<b>TOTAL</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>100.0%</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1D**

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

	TRANSFER ALLOCATION				EXPENDITURE			2014/15
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act	R'000
	R'000	R'000	R'000	R'000	R'000	%		R'000
<b>FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION</b>								
Transfers								
Commonwealth War Graves Commission	23,273	-	-	23,273	23,363	100%		22,548
<b>TOTAL</b>	<b>23,273</b>	<b>-</b>	<b>-</b>	<b>23,273</b>	<b>23,363</b>	<b>100%</b>		<b>22,548</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1E**

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

	TRANSFER ALLOCATION				EXPENDITURE			2014/15
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds transferred	Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
<b>NON-PROFIT INSTITUTIONS</b>								
Transfers								
Non-State Sector	534,816	-	-	534,816	534,816	100%	477,481	
SACLAP	-	-	313	313	313	100%		
<b>TOTAL</b>	<b>534,816</b>	<b>-</b>	<b>313</b>	<b>535,147</b>	<b>535,147</b>	<b>100%</b>	<b>477,481</b>	

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1F**

STATEMENT OF TRANSFERS TO HOUSEHOLDS

	TRANSFER ALLOCATION				EXPENDITURE			2014/15
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds transferred	Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
<b>HOUSEHOLDS</b>								
Transfers								
Households	10,154	-	-	10,154	9,886	97%	14,619	
<b>TOTAL</b>	<b>10,154</b>	<b>-</b>	<b>-</b>	<b>10,154</b>	<b>9,886</b>	<b>97%</b>	<b>14,619</b>	

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 1G**

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2015/16 R'000	2014/15 R'000
Received in cash			
BIG/PWC Consortium	Transport to Polokwane for officials attending a funeral	-	9
AVAX SA 181 CC	Soccer kits (two), branding of kit, T-shirts (55), first aid kit (three), soccer ball, water containers (six), shorts, vests, caps and two volleyball balls	-	18
Konica Minolta	T-shirts for the netball, soccer and volleyball players	-	2
MTN and Sports and Rec	Water bottles for the netball, soccer and volleyball players / two soccer balls	-	1
B Ramgoolam & Associates	Gift card to purchase t-shirts for sport teams	-	2
Siyaxhasana Construction	Gift card to purchase t-shirts for sport teams	-	2
Ulungeni Construction CC	Gift card to purchase t-shirts for sport teams	-	2
Dwesa Consulting Engineers Pty (Ltd)	Gift card to purchase t-shirts for sport teams	-	2
Charles Taylor Architect CC	Gift card to purchase t-shirts for sport teams	-	2
Alkatec Consulting	Two soccer kits	-	4
KPMG	41 Laptops @ 10k each	-	410
<b>TOTAL</b>		-	<b>454</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 2A**

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2016 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2015	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2016	Guaranteed interest for year ended 31 March 2016	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Old Mutual(Ned/Perm	Housing	13	13	-	-	-	13	-	-
<b>TOTAL</b>		<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 2B**

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2016

Nature of Liability	Opening Balance 1 April 2015 R'000	Liabilities incurred during the year R'000	Liabilities paid/ cancelled/reduced during the year R'000	Liabilities recoverable (Provide details hereunder) R'000	Closing Balance 31 March 2016 R'000
Claims against the department					
Services rendered	10	-	-	-	10
Labour relation matters	219	-	(219)	-	-
<b>TOTAL</b>	<b>229</b>	<b>-</b>	<b>(219)</b>	<b>-</b>	<b>10</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 3**

CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2015/16 *
	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	
<b>Department</b>							<b>Amount</b> R'000
Arts and Culture	-	-	85	-	85	-	
Basic Education	-	-	40,054	3,273	40,054	3,273	
Human Settlements	-	38	-	-	-	38	
Provincial Department	-	-	81	-	81	-	
Rural Development	-	-	-	10	-	10	
The Presidency	-	-	-	159	-	159	
	-	<b>38</b>	<b>40,220</b>	<b>3,442</b>	<b>40,220</b>	<b>3,480</b>	
<b>Other Government Entities</b>							
Public Works (PMTE)	263,668	-	184,211	281	447,879	281	Claims 263,668
Services SETA	-	-	3,609	10,897	3,609	10,897	
Services CETA	-	-	6,104	-	6,104	-	
	263,668	-	193,924	11,178	457,592	11,178	263,668
<b>TOTAL</b>	<b>263,668</b>	<b>38</b>	<b>234,144</b>	<b>14,620</b>	<b>497,812</b>	<b>14,658</b>	<b>263,668</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

**ANNEXURE 4**

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2015/16 *
	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	31/03/2016 R'000	31/03/2015 R'000	
<b>DEPARTMENTS</b>							
<b>Current</b>							
Government Printing Works	-	28	-	-	-	28	-
Justice and Constitutional Development	2,682	1,083	-	-	2,682	1,083	-
Higher Education	-	107	-	-	-	107	-
Labour	-	41	-	-	-	41	-
Defence	-	2,017	-	-	-	2,017	-
EC Roads & Public Works	-	30	-	-	-	30	-
Statistics	-	10	-	-	-	10	-
Department of Public Works Free	4	-	-	-	4	-	-
<b>Subtotal</b>	<b>2,686</b>	<b>3,316</b>	<b>-</b>	<b>-</b>	<b>2,686</b>	<b>3,316</b>	<b>-</b>
<b>Non-current</b>							
Department of Public Works Free State Province	-	-	-	-	4	-	-
Department of Public Works Western Cape Province	-	-	1	-	1	-	-
Department of Social Development: Province of KZN	-	-	1	-	1	-	-

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2016

Department of Labour	41	-	-	41	-	-
Department of Government Communication	121	-	-	121	-	-
Department of International Relation and Co-ordination	-	-	6,426	6,426	-	-
<b>Subtotal</b>	<b>162</b>	<b>-</b>	<b>6,428</b>	<b>6,590</b>	<b>-</b>	<b>-</b>
<b>OTHER GOVERNMENT ENTITY</b>						
Current						
Property Management Trading Entity (PMTE)	233	342	-	233	342	-
IDT	146	5,178	-	146	5,178	-
AGSA	1,276	6,622	-	1,276	6,622	-
SITA	-	1,122	-	-	1,122	-
SIU	-	23,526	-	-	23,526	-
Telkom	577	618	-	577	618	-
GEPF	-	1	-	-	1	-
AGRISETA	240	773	-	240	773	-
SALGA	-	42	-	-	42	-
DEAFSA	-	5	-	-	5	-
SADC DFRC	-	18	-	-	18	-
GTAC	-	4,153	-	-	4,153	-
MERSETA	452	255	-	452	255	-
CIDB	86	-	-	86	-	-
<b>Subtotal</b>	<b>3,010</b>	<b>42,655</b>	<b>-</b>	<b>3,010</b>	<b>42,655</b>	<b>-</b>
<b>TOTAL</b>	<b>5,858</b>	<b>45,971</b>	<b>6,428</b>	<b>12,286</b>	<b>45,971</b>	<b>-</b>

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2016**

**ANNEXURE 5**

INVENTORIES

Inventory [Per major category]	Note	Quantity	2015/16 R'000	Quantity	2014/15 R'000
Opening balance		-	-	625,373	7,374
Add/(Less): Adjustments to prior year balance		-	-	-	-
Add: Additions/Purchases - Cash		-	-	-	-
Add: Additions - Non-cash		-	-	-	-
(Less): Disposals		-	-	-	-
(Less): Issues		-	-	-	-
Add/(Less): Adjustments		-	-	(625,373)	(7,374)
<b>Closing balance</b>		-	-	-	-

Include discussion where deemed relevant

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

### for the year ended 31 March 2016

#### ANNEXURE 6A

INTER-ENTITY ADVANCES PAID (note 11)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	R'000	R'000	R'000	R'000	R'000	R'000
<b>NATIONAL DEPARTMENTS</b>						
DIRCO	12	-	-	-	12	-
<b>Subtotal</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>
<b>PUBLIC ENTITIES</b>						
IDT	4,749	9,881	-	-	4,749	9,881
GCIS	268	342	-	-	268	342
NECSA		155	-	-		155
<b>Subtotal</b>	<b>5,017</b>	<b>10,378</b>	<b>-</b>	<b>-</b>	<b>5,017</b>	<b>10,378</b>
<b>OTHER ENTITIES</b>						
Software licences	1	1	-	-	1	1
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>TOTAL</b>	<b>5,030</b>	<b>10,379</b>	<b>-</b>	<b>-</b>	<b>5,030</b>	<b>10,379</b>

#### ANNEXURE 6B

INTER-ENTITY ADVANCES RECEIVED (note 16)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	R'000	R'000	R'000	R'000	R'000	R'000
<b>NATIONAL DEPARTMENTS</b>						
<b>Current</b>						
Higher Education and Training	79,147	65,380	-	-	79,147	65,380
<b>Subtotal</b>	<b>79,147</b>	<b>65,380</b>	<b>-</b>	<b>-</b>	<b>79,147</b>	<b>65,380</b>
<b>PROVINCIAL DEPARTMENTS</b>						
<b>Current</b>						
Eastern Cape Department of Roads and Public Works	246	9,900	-	-	246	9,900
<b>Subtotal</b>	<b>246</b>	<b>9,900</b>	<b>-</b>	<b>-</b>	<b>246</b>	<b>9,900</b>
<b>TOTAL</b>	<b>79,393</b>	<b>75,280</b>	<b>-</b>	<b>-</b>	<b>79,393</b>	<b>75,280</b>



The image shows a modern architectural interior. The ceiling is made of dark wood panels with recessed lighting fixtures. The walls are primarily glass, reflecting the sky and the structural elements of the building. The floor is a light-colored, textured material. The overall atmosphere is bright and airy.

# PART B

## FINANCIALS

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### Part B - PMTE

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The annual financial statements set out on pages 270 to 328, which have been prepared on the going concern basis, were approved by the accounting authority on 31 May 2016 and were signed on its behalf by:



**Mr Mziwonke Dlabantu**

*Director General*

# REPORT OF THE AUDITOR-GENERAL TO THE ACCOUNTING OFFICER ON THE PROPERTY MANAGEMENT TRADING ENTITY

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Property Management Trading Entity (PMTE) set out on pages 270 to 328, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### Basis for qualified opinion

#### Payables from exchange transactions

6. The trading entity did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*. As the entity did not have adequate systems to maintain records of accruals for goods and services received but not yet paid for, payables was understated. I was not able to determine the full extent of the understatement of accrued expenses – maintenance of R417 379 000 included in payables from exchange transactions stated at R2 634 394 000 in note 12 to the financial statements, and property maintenance expenditure stated at R2 783 131 000, as it was impracticable to do so. Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

## Operating expenses

7. I was unable to obtain sufficient appropriate audit evidence that property rates paid for the current year were valid, due to the state of the accounting records. I was unable to confirm ownership of the properties for which property rates had been paid. I was unable to confirm property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R1 056 467 000 (2015: R819 792 000) in the financial statements.

### Qualified opinion

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Property Management Trading Entity as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

### Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### Material impairments

10. As disclosed in note 21 to the financial statements, material losses of R366 772 000 were incurred as a result of an impairment of irrecoverable receivables from exchange transactions.

### Irregular expenditure

11. As disclosed in note 31 to the financial statements, unrecoverable irregular expenditure of R27 257 379 000 was ratified, as it was impracticable to go through the prescribed process in terms of the guideline on irregular expenditure issued by the National Treasury.

### Restatement of corresponding figures

12. As disclosed in note 36 and note 37 to the financial statements, the corresponding figures for 31 March 2015 were restated. This was as a result of errors discovered during 2016 in the financial statements of the PMTE at, and for the year ended, 31 March 2015 as well as adjustments made to provisional amounts resulting from the transfer of functions.

### Transfer of functions

13. The Department of Public Works (DPW) transferred certain property management functions, including the related assets, liabilities and staff, to the PMTE. The effective dates of control of the functions transferred were 18 November 2013 and 30 March 2015. The effect of these transfers is detailed in note 1.27 and note 37 to the financial statements.

### Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the trading entity for the year ended 31 March 2016:
- Programme 3: construction project management on pages 82 to 83
  - Programme 4: real estate management on pages 83 to 85
  - Programme 6: facilities management on pages 86 to 87
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPi).
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the selected programmes are as follows:

### Programme 3: construction project management

#### Usefulness of reported performance information

19. The reasons provided for variances between planned targets and actual achievements were not reliable when compared to the source information.
20. The FMPPi requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. None of the indicators were well defined.
21. The processes and systems that produced the indicator should be verifiable, as required by the FMPPi. None of the indicators were verifiable.

#### Reliability of reported performance information

22. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was because the PMTE could not provide sufficient appropriate evidence in support of the reported performance information.

### Programme 4: real estate management

#### Usefulness of reported performance information

23. The FMPPi requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. None of the indicators were well defined.
24. The processes and systems that produced the indicator should be verifiable, as required by the FMPPi. None of the indicators were verifiable.

### **Reliability of reported performance information**

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of important indicators were not reliable when compared to the source information provided.

### **Programme 6: facilities management**

#### **Usefulness of reported performance information**

26. The reasons provided for variances between planned targets and actual achievements were not reliable when compared to the source information.
27. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. None of the indicators were well defined.
28. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. None of the indicators were verifiable.

#### **Reliability of reported performance information**

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was because the PMTE could not provide sufficient appropriate evidence in support of the reported performance information.

#### **Additional matters**

30. I draw attention to the following matters:

##### **Achievement of planned targets**

31. Refer to the annual performance report on pages 72 to 87 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 29 of this report.

##### **Adjustment of material misstatements**

32. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: construction project management, programme 4: real estate management and programme 6: facilities management. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information.

##### **Unaudited supplementary information**

33. The supplementary information set out on pages 90 to 97 does not form part of the annual report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report to them.

## **Compliance with legislation**

34. I performed procedures to obtain evidence that the trading entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Annual financial statements**

35. Material misstatements of current assets and liabilities identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion. Consequently, PMTE did not comply with the requirements of section 40(1)(a) and (b) of the PFMA, as the financial statements submitted for auditing were not in certain instances prepared in accordance with the prescribed financial reporting framework.

### **Procurement and contract management**

36. In certain instances, contracts and quotations were awarded to bidders that did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed to comply with treasury regulation 16A8.3.
37. In certain instances, contracts were awarded to bidders that did not submit a declaration of past supply chain practices such as fraud, abuse of supply chain management systems and nonperformance, which is prescribed to comply with treasury regulation 16A9.2.
38. Persons in the service of the trading entity whose close family members, partners or associates had a private or business interest in contracts awarded by the trading entity failed to disclose such interest, contrary to treasury regulation 16A8.4.

### **Expenditure management**

39. Steps taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1 were not effective in certain instances.
40. Payments were made in advance of the receipt of services in certain instances, in contravention of treasury regulation 15.10.1.2.

### **Revenue management**

41. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA and treasury regulations 11.2.1, 15.10.1.2(a) and 15.10.1.2(e).

### **Internal control**

42. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

### **Leadership**

43. The leadership did not, in certain instances, exercise effective oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
44. The leadership did not timeously institute effective measures to ensure that incorrect payments to suppliers in respect of private leases were adequately resolved. As this matter was only addressed in the final quarter of the year under review, certain payments before that date were incorrect.

## Financial and performance management

- 45. Proper record keeping was not always implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support performance reporting.
- 46. Regular, accurate and complete performance reports that were supported by reliable information were not prepared throughout the financial year. As this was the first year that PMTE prepared their own performance report, the processes to accurately collate and report on performance are still being enhanced.
- 47. The review and monitoring of compliance with applicable laws and regulations were ineffective in certain instances.

## Governance

- 48. The leadership must continue to focus on expanding capacity in the risk management and internal audit units to ensure optimal functioning in terms of addressing risks and internal control deficiencies across all locations within the entity.

## Other reports

- 49. I draw attention to the following engagements that could potentially have an impact on the trading entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are in progress.

## Investigations

- 50. Allegations relating to transgressions, mainly with respect to supply chain management, potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigating Unit and the governance, risk and compliance branch of the DPW.

*Auditor General*

Pretoria  
20 October 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Statement of Financial Position as at 31 March 2016**

	Note	2016	2015*
		R'000	R'000
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	3 412 951	2 164 094
Receivables from non-exchange transactions	4	1 596	187 467
Operating lease asset	5	942 381	1 008 127
Cash and cash equivalents	6	3 982	6 197
		<u>4 360 910</u>	<u>3 365 885</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	105 763 992	104 397 119
Investment property	8	5 248 515	5 403 178
Heritage assets	9	1 330 128	1 150 103
Intangible assets	10	12 376	12 379
		<u>112 355 011</u>	<u>110 962 779</u>
<b>Total Assets</b>		<b><u>116 715 921</u></b>	<b><u>114 328 664</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	5	855 195	916 539
Bank overdraft	6	1 477 570	667 588
Deferred revenue	11	6 549 113	4 364 843
Payables from exchange transactions	12	2 634 395	2 472 271
Retention liabilities	13	278 255	222 637
Employee benefit obligation	14	162 790	170 583
Finance lease obligation	15	11 174	3 963
Provisions	16	190 631	15 551
		<u>12 159 123</u>	<u>8 833 975</u>
<b>Non-Current Liabilities</b>			
Retention liabilities	13	21 381	34 717
Finance lease obligation	15	433	1 916
		<u>21 814</u>	<u>36 633</u>
<b>Total Liabilities</b>		<b><u>12 180 937</u></b>	<b><u>8 870 608</u></b>
<b>Net Assets</b>			
Accumulated surplus		<u>104 534 984</u>	<u>105 458 056</u>
		<b><u>104 534 984</u></b>	<b><u>105 458 056</u></b>

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Statement of Financial Performance**

	Note	2016	2015*
		R'000	R'000
Revenue from exchange transactions	17	8 890 796	9 606 808
Revenue from non-exchange transactions	18	4 005 843	3 307 707
<b>Total revenue</b>		<b>12 896 639</b>	<b>12 914 515</b>
<b>Expenditure</b>			
Depreciation, amortisation and impairments on assets	19	2 786 243	2 617 630
Employee related costs	20	1 309 460	1 268 405
Impairment loss on receivables	21	414 383	184 390
Interest expense	22	96 634	721
Loss on disposal/transfer of assets	23	5 186	19 768
Operating leases	24	4 084 346	3 923 763
Property maintenance		2 783 131	2 008 466
Property rates		1 008 857	819 792
Sundry operating expenses	25	1 331 471	912 924
<b>Total expenditure</b>		<b>13 819 711</b>	<b>11 755 859</b>
<b>(Deficit) / surplus for the year</b>		<b>(923 072)</b>	<b>1 158 656</b>

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Statement of Changes in Net Assets**

	Note	Accumulated surplus (Net Assets)
		R'000
Opening balance as previously reported as at 1 April 2014		72 660 347
<i>Adjustments</i>		
Correction of prior period errors	36	35 564
Adjustments to net gain from transfer of functions effective 1 April 2013	37	42 820 659
Adjustments to surplus due to changes to provisional amounts for transfer of functions	37	(11 170 950)
<b>Balance at 1 April 2014 as restated*</b>		<b>104 345 620</b>
<i>Changes in net assets</i>		
Surplus for the year		1 158 656
Adjusted net gain from transfer of function effective 1 April 2014	37	(46 220)
Total changes		1 112 436
Balance as previously reported as at 31 March 2015		73 597 548
<i>Adjustments</i>		
Correction of prior period errors and adjustments due to transfers of functions		31 685 272
Correction of prior period errors	36	(6 394)
Adjustments to net gain from transfer of functions effective 1 April 2014	37	(128 585)
Adjustments to surplus due to changes to provisional amounts for transfer of functions - 1 April 2013 and 1 April 2014	37	310 215
<b>Balance at 1 April 2015 as restated*</b>		<b>105 458 056</b>
<i>Changes in net assets</i>		
Deficit for the year		(923 072)
<b>Balance at 31 March 2016</b>		<b>104 534 984</b>

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Cash Flow Statement**

	Note	2016	2015*
		R'000	R'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Accommodation charges - leasehold inter-governmental		3 665 574	3 717 172
Accommodation charges - freehold inter-governmental user charges		3 902 703	3 605 438
Accommodation charges - freehold inter-governmental projects		2 483 866	2 142 514
Accommodation charges - private		17 246	25 945
Augmentation		3 524 652	673 372
Management fee on municipal services		169 504	180 042
Municipal services recovered		3 390 085	3 600 834
Interest, fines, recoveries and other receipts		88 072	61 678
		17 241 702	14 006 995
<b>Payments</b>			
Cleaning and gardening		211 672	185 902
Bank charges, interest and other expenses		204 277	41 809
Admin goods and services		401 076	3 963
Maintenance - scheduled		1 054 100	1 137 169
Maintenance - other (including security)		1 383 025	1 106 605
Municipal services - recoverable		3 731 908	3 677 091
Municipal deposits paid		2 525	-
Municipal services - non-recoverable		232 440	-
Operating leases (including rent on land)		4 078 738	3 780 341
Property rates		1 259 470	792 779
Compensation of employees		1 140 657	-
		13 699 888	10 725 659
Net cash flows from operating activities	26	<b>3 541 814</b>	<b>3 281 336</b>
<b>Cash flows from investing activities</b>			
Acquisition of assets		(4 347 232)	(3 506 009)
<b>Cash flows from financing activities</b>			
Finance lease payments		(6 779)	(3 963)
<b>Net decrease in cash and cash equivalents</b>		<b>(812 197)</b>	<b>(228 636)</b>
Cash and cash equivalents at the beginning of the year		(661 391)	(432 755)
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>(1 473 588)</b>	<b>(661 391)</b>

\* Restated - See Note 36 and 37

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis<sup>§</sup>

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
Accommodation charges - leasehold inter-governmental	4 003 484	697	4 004 181	3 665 574	(338 607)
Accommodation charges - freehold inter-governmental user charges	3 940 223	(36 799)	3 903 424	3 902 703	(721)
Accommodation charges - freehold inter-governmental projects	2 904 026	(366 026)	2 538 000	2 483 866	(54 134)
Accommodation charges - freehold Private	37 271	-	37 271	17 246	(20 025)
Augmentation	3 584 652	(60 000)	3 524 652	3 524 652	-
Management fees on municipal services	209 000	(17 589)	191 411	169 504	(21 907)
Municipal services recovered	-	-	-	3 390 085	3 390 085
Interest, fines, recoveries and other receipts	35 017	(5 738)	29 279	88 072	58 793
	<b>14 713 673</b>	<b>(485 455)</b>	<b>14 228 218</b>	<b>17 241 702</b>	<b>3 013 484</b>
<b>Expenditure</b>					
Cleaning and gardening	273 467	(63 368)	210 099	211 672	1 573
Maintenance - scheduled (including disallowances)	1 236 318	(455 167)	781 151	1 054 100	272 949
Maintenance - other (including security)	1 036 481	238 610	1 275 091	1 383 025	107 934
Municipal deposits paid	-	-	-	2 525	2 525
Municipal services - non-recoverable	-	282 457	282 457	232 440	(50 017)
Municipal services - recoverable	-	-	-	3 731 908	3 731 908
Operating leases (including rent on land)	4 003 484	93 589	4 097 073	4 078 738	(18 335)
Property rates	1 056 178	-	1 056 178	1 259 470	203 292
Bank charges, interest and other expenses	100 853	(100 853)	-	204 277	204 277
Compensation of employees	1 288 773	-	1 288 773	1 140 657	(148 116)
Admin, goods and services	785 203	(64 959)	720 244	394 297	(325 947)
<b>Payments</b>	<b>9 780 757</b>	<b>(69 691)</b>	<b>9 711 066</b>	<b>13 693 109</b>	<b>3 982 043</b>
<b>Capital movements</b>					
Capital expenditure recoverable	2 904 026	377 647	3 281 673	3 188 926	(92 747)
Capital expenditure non-recoverable	1 998 197	(793 411)	1 204 786	1 158 614	(46 172)
Machinery and equipment	30 693	-	30 693	13 250	(17 443)
	<b>4 932 916</b>	<b>(415 764)</b>	<b>4 517 152</b>	<b>4 360 790</b>	<b>(156 362)</b>
<b>Cash deficit</b>	-	-	-	<b>(812 197)</b>	<b>(812 197)</b>

\* Restated - See Note 36 and 37

§ Refer to note 27 for reconciliations and explanations of material differences.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1. Significant Accounting Policies and Judgements

##### Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB), unless otherwise indicated, and in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand ("R") which is also the functional currency of the Property Management Trading Entity ("PMTE"). Values are rounded to the nearest thousand ("R'000") unless otherwise indicated.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

##### 1.1 Significant judgement and sources of estimation uncertainty

###### 1.1.1 Control of immovable assets

The DPW is the legal custodian of all immovable assets vested in national government, except in cases where custodial functions were assigned to other ministers by virtue of legislation before the commencement of GIAMA on 30 April 2009. The DPW assigned those functions to the PMTE and by virtue of transfer of functions that occurred on 18 November 2013, and 30 March 2015, the PMTE controls those assets for accounting purposes. The PMTE benefits from the assets in pursuit of its objectives and regulates the access of others to the benefits of the assets (i.e. the PMTE decides who may benefit from the use of the assets). Custodianship includes the ability to acquire, dispose and maintain the assets.

###### 1.1.2 Assets and liabilities related to the transfer of functions

All assets and liabilities related to the transfer of functions are recognised and measured in accordance with the transitional provisions as per Directive 2 issued by the ASB in May 2010.

For initial measurement purposes, assets acquired through the transfer of functions are measured at their carrying amounts as per the records of the DPW. Where those carrying amounts do not represent GRAP compliant amounts, the carrying amounts will be estimated using various measurement bases, depending on the type of asset or liability. The DPW transferred functions on two separate occasions. For further details refer to note 1.27. The PMTE will not comply with the requirements of the specific standards of GRAP for those assets and liabilities until the transitional provisions expire for the financial period ending on 31 March 2017 and 31 March 2018 for the respective transfer of functions.

###### 1.1.3 Useful life and residual life

The estimated useful lives of property, plant and equipment, investment property and intangible assets are assessed annually and is dependent on the condition of the assets. Management applies judgement in assessing the condition of the assets. The residual values are estimated to be zero as the PMTE will be utilising these assets over their entire economic life.

Refer to note 1.6 for the accounting policies on estimated useful lives for property, plant and equipment, note 1.7 for investment property and note 1.9 for intangible assets.

###### 1.1.4 Classification of accommodation charges as lease revenue

As the intention of the PMTE is to provide accommodation at values that are directly equal to the value of the service being delivered, the PMTE categorises all accommodation charges, with the exception of prestige accommodation, as revenue from exchange transactions, notwithstanding the fact that this revenue may or may not equal the value of the service delivered.

The amount for prestige accommodation is determined in accordance with the ministerial handbook. The ministerial handbook allows for the ministers to stay free of charge in the first property provided to him or her. For the second property, the ministerial handbook requires the minister to be charged a percentage of his or her salary as a rental fee. This rental fee does not approximate equal the service value of the property provided to the minister. Therefore, the receivable is classified as a statutory receivable and the revenue is classified as a non-exchange transaction.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

---

#### 1.1 Significant judgement and sources of estimation uncertainty (continued)

##### 1.1.5 Classification and measurement of leases

Management uses judgement to determine if a lease is classified as an operating or a finance lease. Management's judgement is based on whether risk and rewards incidental to ownership have been transferred.

Cognisance has been taken of the fact that client departments generally extend the period for which they lease premises through the PMTE where these properties are rented from the private sector. It is difficult to conclude that it is certain that the PMTE (as lessee) will always extend the lease term of leasehold property at inception of the lease because of the general occupation trend of its client departments. Taking everything into consideration, management is of the opinion that the risk and rewards incidental to ownership is not transferred during the lease term from either the lessee's or the lessor's perspective.

Where a formal lease agreement between PMTE and its client departments does not exist, the same terms and conditions included in the underlying lease agreements with the landlord is used to assess the classification of the sub-lease.

The PMTE considers leases to be month-to-month leases when the underlying lease agreements on leasehold properties have expired and the asset is still being utilised by the client department.

As the lease terms and conditions are not determinable for month-to-month leases and freehold inter-governmental accommodation, no systematic basis can be used to recognise the lease revenue that would be representative of the time pattern which benefit derived from the lease asset is diminished.

##### 1.1.6 Impairment of receivables measured at cost or amortised cost

The full voted funds for accommodation from client departments are allocated to the PMTE and are due within 30 days from invoice date. If client departments do not pay within 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients which have defaulted, management made judgements based on history to determine if the receivable/group of receivables have to be impaired. Should the financial condition of the client change, actual write-offs could differ significantly from the impairment losses recognised.

The current year impairment is based on management's best estimate of the expected cash flows for amounts that are outstanding for longer than the normal payment terms discounted at the current rate applicable to debts owed to the state. Where management cannot determine the future payment date, management discounts from invoice date for 12 months after year end.

The discount rate used for impairment purposes is not adjusted for the different classes of receivables as the majority of the debt is with government institutions.

# PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 1.1 Significant judgement and sources of estimation uncertainty (continued)

#### 1.1.7 Classification of immovable assets

Judgement is applied when classifying immovable assets between property, plant and equipment, investment property and heritage assets. Consideration is given to the type of property, why the property is held by national department, and the occupant. The main factor considered is whether PMTE holds the asset either for service delivery (in accordance with government objective), resulting in property, plant and equipment, or for capital appreciation and/or earning or rentals, resulting in investment property, or for future generations resulting in heritage assets. Where state property is rented out to another government entity or public service employees to provide cost effective accommodation services or for social services, these properties are classified as property, plant and equipment rather than investment property as the PMTE holds these assets to deliver on its mandate rather than to earn rentals or capital appreciation.

GRAP 16 requires undeveloped land, for which no purpose has been determined, to be classified as investment property. However, where the land is acquired for strategic purposes, the land is to be classified as property, plant and equipment. In considering the classification of undeveloped land, the PMTE considers how it acquired the land and whether the land is being used. Where the land was acquired through expropriation or a result of legislation, the PMTE classifies the land as property, plant and equipment rather than investment property, as it is assumed to be acquired for strategic purposes in accordance with government's policies and aims.

Heritage assets may be used for administrative purposes. Management used judgement to determine whether a significant portion of the heritage asset is utilised for office accommodation. If a significant portion of the heritage asset is utilised for administrative purposes, the asset is classified as property, plant and equipment under the Standard of GRAP on *Property, Plant and Equipment*.

For purposes of classifying these non-financial assets, that are subject to impairment, either as cash-generating or non-cash generating, PMTE applied the following criteria:

- The purpose for which the asset is held
- The intention to earn commercial (profit-making) return on the property
- The ability to earn commercial return on the property
- The restrictions on the use of the property by PMTE.

The PMTE, as a trading entity of the DPW, is accountable for these assets and needs to maintain these assets on behalf of national government. It cannot use these assets for any other purpose than to deliver on its mandate (consistent with GIAMA and the PFMA). The PMTE has to provide accommodation to other departments and to enable it to deliver on its mandate, the PMTE may recover an accommodation charge on certain properties it holds. The accommodation charge is not commercially based, but rather to ensure that the PMTE is operating at a break-even level. Where the PMTE does ask market related rent on property that is not utilised by other departments, it is not considered material and therefore all non-financial assets have been classified as non-cash generating for impairment purposes.

#### 1.1.8 Principal versus agent relationship

The PMTE's mandate is to manage the accommodation and infrastructure needs of national departments. Should the PMTE be unable to satisfy the accommodation needs of a particular client department through the use of State-owned property, the PMTE would lease the required property from a private landlord, on behalf of the client department, and for their beneficial occupation; and apply the lease agreement to the occupant/sub-lessee. Consideration was given as to whether the PMTE is acting as an agent on behalf of the client departments, as a result of carrying out these activities.

Management, however, is of the opinion that the decision making ability, the accountability, the credit risk and the value added processes all rest with the PMTE. This indicates that the PMTE is the principal with regards to the lease arrangement with the respective landlords.

Client departments occupying properties are liable for the municipal services charges incurred in utilising those properties. The PMTE offers a service of paying the municipal service charges on behalf of the client departments and then recovering those costs directly from the client department. For this service, the PMTE charges a 5% management fee which is invoiced and recovered from the client department. The PMTE is acting as an agent with regards to the payment and recovery of these municipal service charges. The management fee for rendering this service is recognised as revenue for the PMTE.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

---

#### 1.1 Significant judgement and sources of estimation uncertainty (continued)

##### 1.1.9 Related party disclosure

The Standard of GRAP on Related Party disclosures (GRAP 20) provides exemption from detailed disclosures where those transactions are on:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the PMTE to have adopted, if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by our mandate.

In the absence of a pricing strategy for leases, judgement was made to determine the disclosures around related party transactions based on the nature of the transactions and the associated terms. In addition, many services have been rendered in-kind to the PMTE stemming from its relationship with the DPW. Due to the nature of these transactions, where amounts could not be measured reliably, only a narrative disclosure was made. This is in line with the principle in the Standard of GRAP on Revenue from Non-exchange Transactions (GRAP 23) to not recognise certain services-in-kind where it cannot be measured reliably. It is difficult to measure the value of these services and they are usually consumed within the period. Where amounts could be reliably measured, these have been recognised.

#### 1.2 Receivables from exchange transactions

Receivables from exchange transactions are recognised when exchange revenue is due to the PMTE in accordance with an agreement (financial assets) or through legislation. Refer to note 1.16 and 1.15 respectively.

#### 1.3 Receivables from non-exchange transactions

Receivables from non-exchange transactions are recognised when non-exchange revenue is due to the PMTE through legislation (statutory receivables) or in accordance with an agreement (financial assets). Refer to note 1.15 and 1.16 respectively.

#### 1.4 Leases

The PMTE classifies lease agreements in accordance with risk and rewards incidental to ownership. Where the lessor transfers substantially all the risks and rewards to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

##### 1.4.1 Finance leases - PMTE as a lessee

Where the PMTE has assessed itself to be a lessee to a finance lease arrangement, it recognises a finance lease liability and a related leasehold asset, which would be disclosed as part of property plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The PMTE recognises finance lease liabilities resulting from finance leases as a liability on the Statement of Financial Position. Minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. Such liabilities are presented as a payable at an amount equal to the net obligation of the lease. Interest expense is recognised based on the interest rate implicit in the finance lease. The asset and the liability in the Statement of Financial Position are initially recognised at amounts equal to the fair value of the leased property or if lower, the present value of the minimum lease payments. Where the fair value of the assets are not available to determine the implicit interest rate in the lease, the PMTE uses the rate applicable to debt owed by the state.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.4 Leases (continued)

##### 1.4.2 Operating leases - PMTE as a lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term where the lease term exceeds one month, except where the terms and conditions have not been determined or were re-negotiated. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. Lease revenue is presented as accommodation charges in the Statement of Financial Performance and notes to the financial statements.

The PMTE recognised month-to-month leases as revenue from exchange transactions as and when the revenue is due.

##### 1.4.3 Operating leases - PMTE as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term where the lease term exceeds one month, except where the terms and conditions have not been determined or were re-negotiated. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

#### 1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 6).

#### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, except for assets under construction, land and heritage assets. These are subsequently measured at cost less accumulated impairment losses.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of the continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.6 Property, plant and equipment (continued)

Heritage assets assessed as having a dual function of being a heritage asset and providing accommodation services are recognised and disclosed in terms of the Standard of GRAP on Property, plant and equipment (GRAP 17) and not the Standard of GRAP on Heritage assets (GRAP 103), if a significant portion of the heritage asset is utilised for office accommodation (refer to note 1.8).

With the exception of assets acquired through the transfer of functions under common control which is measured at cost, where property, plant and equipment is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic or service potential benefit associated with that item will flow to the PMTE and the cost thereof can be reliably measured.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. These components are depreciated separately.

Depreciation is calculated on a straight line basis over the expected useful lives of each item. Depreciation is charged to the surplus or deficit, unless it is included in the carrying amount of another asset. Depreciation commences on an asset when it is in the condition necessary for it to be capable of operating in a manner intended by management.

Assets under construction are ready for their intended use once a completion certificate or occupational certificate has been issued. At this point depreciation will commence.

If a significant component is replaced, the carrying amount of the existing component is derecognised and the value of the new component is recognised.

The useful life, depreciation method and a residual value for property, plant and equipment are reviewed annually. Any changes are recognised as a change in accounting estimates in the surplus or deficit.

In terms of the transitional provisions set out in Directive 2, depreciation on property, plant and equipment will only commence once the deemed carrying amount of a transferred asset has been determined. Depreciation and provisional amounts will be retrospectively adjusted to the period when the transfer of functions are effective.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Building and improvements (including components)	
• Low rise buildings (up to 4 floors)	12 - 35 years
• High rise buildings (more than 4 floors)	40 - 60 years
• Warehouse / garage / storerooms	40 - 60 years
• Prisons	100 years
• Barracks	12 - 35 years
• Dwellings	40 - 60 years
• Roads, harbours and mines	12 - 35 years
• Boundary fences on vacant land	15 years
• Water and other infrastructure	20 - 60 years
• Airport runways	40 - 60 years
• Dams and reservoirs	100 years
• Other	12 - 35 years
Land	indefinite useful lives
Furniture and office equipment	5 - 15 years
Vehicles	5 - 10 years
Computer equipment	3 - 7 years
Other machinery and equipment	10 - 30 years

The PMTE shall assess annually at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the PMTE shall estimate the recoverable service amount or recoverable amount for non-cash-generating and cash-generating assets respectively. An impairment loss is recognised where the carrying amount exceeds the asset's recoverable service amount or recoverable amount as applicable.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.6 Property, plant and equipment (continued)

The PMTE shall assess annually at each reporting date whether there is any indication that an impairment loss recognised in prior period for an asset may no longer exist or may have decreased. If such indication exists, the PMTE shall estimate the recoverable service amount or recoverable amount of that asset. Any impairment loss recognised in prior periods for an asset is only reversed if there has been a change in the estimated use to determine the asset's recoverable service amount since the last impairment loss was recognised. Reversals of impairment is limited to the carrying amount of the asset had no impairment been recognised for the asset in prior periods.

Impairment losses and reversals of impairment losses are recognised in the surplus or deficit in the period in which the event occurs.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction of the State and Land Disposal Act (Act No. 48 of 1961).

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost, including transaction costs. Investment property is subsequently carried at cost less accumulated depreciation and any accumulated impairment losses, except for land. Land is not depreciated.

With the exception of assets acquired through a transfer of functions under common control which is measured at cost, where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Items of investment property assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Depreciation is calculated on a straight line basis over the expected useful lives of each item. Depreciation is charged to surplus or deficit. Depreciation commences on assets when they are in the condition necessary for them to be capable of operating in the manner intended by management.

Item	Useful life
Building and improvements	12 - 100 years
Land	Indefinite

Refer to note 1.6 for a detailed breakdown of the useful lives of the building and improvements.

Assets under construction are ready for their intended use once a completion certificate or occupational certificate has been issued. At this point depreciation will commence.

The useful life, depreciation method and residual value for investment property are reviewed annually. Any changes are recognised prospectively as changes in accounting estimates in surplus or deficit.

Impairment and reversals of impairment are recognised in surplus or deficit in the period in which the event occurs.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.7 Investment property (continued)

The PMTE is not allowed to dispose of or transfer immovable assets under its custodianship unless approved by the Minister of Public Works or his delegated official, considering the restriction of the State and Land Disposal Act (Act No. 48 of 1961).

Gains and losses on the derecognition of investment properties, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

#### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The PMTE recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the PMTE, and the cost or fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

With the exception of assets acquired through the transfer of functions under common control which is measured at cost, where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Heritage assets assessed as having a dual function, of which a significant portion is held for the provision of accommodation or administrative purposes, are recognised and disclosed as property, plant and equipment.

The cost of an item of heritage assets is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Heritage assets that cannot be reliably measured are not recognised, but relevant information about these assets are disclosed in the notes, if applicable. Any costs incurred subsequently shall be recognised in surplus or deficit as incurred.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Heritage assets are not depreciated as they are regarded as having an indefinite useful life but are annually assessed for impairment. If any such indication exists, the PMTE estimates the recoverable amount or the recoverable service amount of the heritage asset.

The PMTE assess on an annual basis whether there is an indication that it may be impaired. If any such indication exists, the PMTE estimates the recoverable amount or the recoverable service amount of the heritage asset.

An impairment loss is recognised where the carrying amount exceeds the recoverable service amount for non-cash generating assets. Impairment losses and reversals of impairment are recognised in surplus or deficit in the period when the event occurs.

The PMTE derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

#### 1.9 Intangible assets

The PMTE recognises intangible asset when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the PMTE; and
- the cost or fair value of the asset can be measured reliably.

Where the PMTE acquires the rights to use an asset, such as servitudes, other than exercising its rights through legislation, it classifies these as intangible assets.

With the exception of assets acquired through the transfer of functions under common control which is measured at cost, where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.9 Intangible assets (continued)

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period, the amortisation method and the residual values of the intangible assets with finite useful lives are reviewed on an annual basis. Intangible assets with indefinite useful lives are tested annually for impairment. Any changes are recognised as a change in accounting estimate in the surplus or deficit.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of the intangible assets, unless such useful lives are indefinite. Amortisation commences on the asset when they are in the condition necessary for them to be capable of operating in a manner intended by management.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 - 5 years

Items of intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Impairments and reversals of impairments are recognised in surplus or deficit in the period that the event occurs. Losses or gains on impairments and impairment reversals are treated similarly to gains and losses for property, plant and equipment (refer to note 1.6).

#### 1.10 Payables from exchange transactions

The PMTE recognises payables from exchange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the outflow is expected to be cash or another financial asset, the payable is classified as a financial liability.

The PMTE recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

#### 1.11 Employee benefits

##### 1.11.1 Short-term employee benefits

The PMTE recognises an undiscounted amount of short-term benefits due to employees in exchange for the rendering of services by employees as follows:

- As a liability in cases where the amounts have not yet been paid.
- Where the amount paid exceeds the undiscounted amount of the benefits due, the PMTE recognises the excess as an asset to the extent that the overpayment will lead to a reduction of future payments or a cash refund.
- As an expense, unless the PMTE uses the services of employees in the construction of an asset and the benefits received meet the recognition criteria of an asset, at which stage it is included as part of the cost of the related property, plant and equipment, investment property or intangible asset item.

## **Notes to the Annual Financial Statements**

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### **1.11 Employee benefits (continued)**

#### **1.11.2 Leave benefits**

The PMTE recognises the expected cost of short-term employee benefits in surplus or deficit, in the form of compensated absences (paid leave) when the employees render services that increase their entitlement to leave benefits.

The expected cost of accumulating leave benefits is measured as the additional amount that the PMTE expects to incur as a result of the unused entitlement that has accumulated at the reporting date.

#### **1.11.3 Performance and service bonuses**

The PMTE recognises the expected cost of performance or service bonus payments where there is a present legal or constructive obligation to make these payments as a result of past events and a reliable estimate of the obligation can be made. A liability for service bonus is accrued on a proportionate basis as services are rendered. A liability for performance bonus, which is based on the employee's performance in the applicable year, is raised on the estimated amount payable in terms of the incentive schemes. The PMTE considers the present obligation to exist when it has no realistic alternative but to make the payments related to performance bonuses.

#### **1.11.4 Retirement and medical benefits**

Payments to defined contribution plans are charged as an expense to employee cost in surplus or deficit in the same year as the related services is provided. Once the contributions are paid, the PMTE has no further payment obligations.

### **1.12 Retention liabilities**

A retention liability is recognised as a financial liability where monies due to a contractor are withheld for a set period of time during which the PMTE has an enforceable right to have defects remedied by the contractor. The measurement of the retention liability is the same as payables from exchange transactions which have been classified as financial liabilities. The liability is derecognised when the liability is settled or when the contractor defaults and is not entitled to settlement.

### **1.13 Provisions and contingencies**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date, discounted to present value where the time value of money is expected to be material.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions where the timing of the outflow is uncertain is classified as current liabilities.

Contingent assets are disclosed where the PMTE has a possible inflow of resources but the inflow did not meet the recognition criteria of an asset. Contingent liabilities are disclosed where a liability is subject to an uncertain event or the outflow is only assessed to be possible.

Contingent assets and contingent liabilities have been based on the best estimate available at the time of preparing the financial statements.

Contingent liabilities relating to litigations have been based on the assessment of the estimated claim against the PMTE as at the end of the reporting period. Contingent liabilities on retentions, leases and municipal rates are based on management's calculations of the possible inflows/outflows expected but are subject to consultation with respective third parties to determine the amount to be settled.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

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#### 1.14 Reserves

The PMTE's reserves are made up of accumulated surplus.

Accumulated surplus are mainly built up to ensure adequate rehabilitation and maintenance of state owned infrastructure and future infrastructure development.

#### 1.15 Statutory receivables and payables

##### 1.15.1 Classification, recognition and measurement

Statutory receivables and payables arise from the right to receive cash or make payments in terms of legislative requirements. The PMTE will recognise receivables when it obtains the right to receive assets in terms of legislation, at the amount determined in the legislation (i.e. transaction price), which is the fair value at initial recognition. Thereafter the receivable will be assessed for impairment.

Payables arising from legislative requirements are measured at the amount determined in legislation (i.e. transaction price).

Statutory receivables and payables are not discounted.

##### 1.15.2 Impairment of receivables measured at cost

At each end of the reporting period, the PMTE assesses all receivables to determine whether there is objective evidence that the asset or group of assets have been impaired. The inability to redeem amounts due based on the payment history is considered to be indicators of impairment.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cashflows, excluding future credit losses that have not been incurred. Impairment loss on receivables is impaired directly to the receivables. Receivables at cost are discounted at a risk free rate adjusted for the risk associated with the debt. Impairment losses are recognised in surplus or deficit as expenses.

Impairment losses are reversed when an increase in the receivable's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed the carrying amount that would have been recognised had the impairment not been recognised. The amount of the reversal is recognised in surplus or deficit.

#### 1.16 Financial instruments

##### 1.16.1 Classification, recognition and measurement

The PMTE recognises a financial asset or a financial liability in its statement of financial position when the PMTE becomes a party to the contractual provisions of the instrument.

The PMTE recognises financial assets using trade date accounting.

The PMTE does not offset a financial asset and a financial liability unless a legally enforceable right to offset the recognised amounts currently exists and the PMTE intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest relating to a financial instrument or a component of a financial instrument is recognised as revenue or expense in surplus or deficit.

The PMTE's financial instruments consists only of cash and cash equivalents, including the bank overdraft and non-derivative instruments such as leases, receivables and payables with no or minimal transaction costs.

All financial instruments are initially measured at fair value and subsequently amortised cost using the effective interest method, except for leases (refer to note 1.4).

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

## PROPERTY MANAGEMENT TRADING ENTITY

### Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

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### 1.16 Financial instruments (continued)

Interest is charged on debt outstanding exceeding the normal credit terms at the rate applicable of debt owed to the State, except for debt owed by government institutions.

The effect of payment for short term receivables outstanding for longer than the 30 days is considered during the impairment assessment.

#### 1.16.2 Impairment of financial assets measured at amortised cost

The PMTE assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The ability to redeem amounts due, based on the payment history, is considered to be indicators of impairments.

If there is objective evidence that an impairment loss on receivables measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). Impairment loss on receivables is impaired directly to the receivables. Receivables at amortised cost are discounted to the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly to the receivable. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

#### 1.16.3 Derecognition

##### *Financial assets*

The PMTE derecognises financial assets using trade date accounting.

The PMTE derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the PMTE transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the PMTE, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the PMTE :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 1.16 Financial instruments (continued)

##### *Financial liabilities*

The PMTE derecognises a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on *Revenue from Non-exchange Transactions*.

#### 1.17 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue earned from accommodation charges is classified as lease revenue (refer to note 1.4 for further details on recognition and measurement of lease revenue). Accommodation charges are measured based on:

- the cost of leasing in (in the case where property is leased in from the private sector)
- the budget devolution as agreed upon with the client departments (in the case of state owned accommodation leased to client departments); or
- the market related rental (in the case of state owned accommodation leased to the private sector and individuals).

Accommodation charges disclosed in the financial statements consists of:

- Leasehold inter-governmental, which refers to lease revenue earned from assets which are owned by the private sector, which is then sub-leased to client departments
- Freehold inter-governmental, which refers to lease revenue from state owned assets leased to client departments
- Freehold private, which refers to lease revenue from state owned assets leased to the private sector and individuals

Interest is recognised, in surplus or deficit, using the effective interest rate method.

The PMTE pays municipal services on behalf of the client departments and earns 5% management fee on the value of the invoice. The management fee earned is recognised as revenue from exchange transactions in the surplus or deficit. Any amounts owed or overpaid on the management fee is recognised either as a receivable or payable from the exchange transactions as appropriate.

Other revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. Revenue will be recognised in the surplus or deficit when it becomes due to the PMTE. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebate.

#### 1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

The PMTE recognises the inflow of resources from a non-exchange transaction as revenue when it controls the asset, except in cases where a liability or equity is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions until the conditions relating to the revenue has been satisfied. Revenue from non-exchange transactions is measured initially at fair value.

Transfer payments received from the DPW in order to fund operations and manage properties under the custodianship of DPW, is referred to as augmentation and is classified as revenue from non-exchange transactions.

Revenue earned from freehold prestige accommodation charges is classified as lease revenue. Freehold prestige accommodation charges are recognised based on the reduced market related rental as per the ministerial handbook.

Where services are received in-kind and a reliable estimate can be made, the PMTE recognises the related revenue. In all other cases, the PMTE only discloses the nature of the transactions.

## **Notes to the Annual Financial Statements**

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### **1.19 Expenditure**

Expenditure is classified in accordance with the nature of the expenditure.

The PMTE recognises expenditure in surplus or deficit when a decrease in future economic benefits or service potential relates to a decrease in an asset or an increase in a liability, other than those relating to distributions to owners.

The PMTE recognises expenses immediately in surplus or deficit when no future economic benefits or service potential are expected or when and to the extent that, future economic benefits or service potential do not qualify or cease to qualify for recognition as an asset in the Statement of Financial Position.

The PMTE also recognises expenses in surplus or deficit in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Interest expense is recognised as an expense in surplus or deficit in the period in which they are incurred, using the effective interest method.

### **1.20 Irregular, Fruitless and wasteful expenditure**

Irregular, fruitless and wasteful expenditure, as defined by the PFMA, and material losses through criminal conduct is recognised as expenditure in the surplus or deficit according to the nature of the expense and disclosed separately in notes 30 to 31. When the amount is subsequently recoverable, it is recognised as revenue in surplus or deficit. Any receivables recognised as a result of irregular, fruitless and wasteful expenditure or material losses through criminal conduct, are subject to an annual impairment assessment.

### **1.21 Related parties**

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed in note 34. Movable assets that have not been transferred specifically to the PMTE are not recognised by the PMTE but are recorded by the DPW.

Management of the PMTE is defined as being individuals with the responsibility for planning, directing and controlling the activities of the entity. Key management officials are members of the Executive Committee (EXCO), members of the Minister and Top Management Committee of the DPW, chairpersons of significant committees, head of units and Regional Managers. Where the remuneration of management is not accounted for by the PMTE (as included in note 34), the remuneration is not included in the disclosure. This includes the remuneration of the Chief Financial Officer, the Director-General and the Minister of Public Works.

### **1.22 Budget information**

The PMTE presents a comparison of budget amounts and actual amounts as a separate additional financial statement. The approved and final budget amounts are prepared on a modified cash basis. The budget is prepared based on the nature of the revenue and the expenditure. The actual amounts (prepared on an accrual basis) are adjusted for basis differences for comparability purposes.

The PMTE budgets for revenue including the transfer payment received through the DPW. The PMTE budget is part of the overall DPW vote.

### **1.23 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. The current year's estimates are based on unrecognised capital expenditure which has been approved and either contracted for or an order has been issued to the supplier.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

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#### 1.24 Going concern assumption

These annual financial statements have been prepared on the going concern basis. Although the PMTE has a bank overdraft of R 1 478 million as at 31 March 2016 (R 668 million as at 31 March 2015) and the current liabilities exceed the current assets, management maintains their assertion that the PMTE is able to continue on a going concern basis into the foreseeable future. The PMTE operates under the control and support of the DPW and National Treasury is aware of the PMTE's overdraft position. Management is implementing a turnaround strategy for the entity.

#### 1.25 Comparative figures

Comparative figures have been adjusted to correct errors identified in the current year but relating to prior years. The effect of the restatements are disclosed in note 36.

#### 1.26 Deferred revenue

The PMTE recognises in payables an amount for deferred revenue where the leasing revenue (accommodation charges - freehold inter-governmental) recognised from client departments is deferred until the project is ready for use and capitalised under immovable assets.

#### 1.27 Transfer of functions between entities under common control

The transfer of functions from entities under common control are accounted for by the PMTE by recognising the assets acquired and liabilities assumed at provisional amounts at the date of transfer. Any difference between the assets and liabilities recognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where assets and liabilities were acquired through a transfer of functions, the entity is not required to measure those assets and liabilities for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Due to the operationalisation of the PMTE, the DPW transferred certain functions to the PMTE on the 1 April 2013 and 1 April 2014 respectively. The transfer of functions were approved by the Accounting Officer on 18 November 2013 and 30 March 2015 respectively when substantial control of these functions were obtained.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 1 April 2013:

- Asset Investment Management
- Property Management
- Facilities Management
- Key Account Management
- Regional Finance Units

Full compliance is required by 31 March 2017 for the above.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 1 April 2014:

- Inner City Regeneration
- Projects and Professional services
- Regional Co-ordination
- Supply Chain Management
- Regional Support and Regional Managers

Full compliance is required by 31 March 2018 for the above.

Until such time as the measurement period expires, and the items of assets and liabilities associated with the transfer of functions are recognised and measured, in accordance with the applicable Standard of GRAP, the PMTE does not need to comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1)
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4)
- Leases (GRAP 13)
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

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The exemption for applying the measurement requirements of the relevant Standards of GRAP implies that any associated presentation and disclosure requirements does not need to be complied with for the relevant assets and liabilities in accordance with the requirements of the following applicable Standards of GRAP:

- Property, Plant and Equipment (GRAP 17)
- Heritage Assets (GRAP 103)
- Investment Property (GRAP 16)
- Intangible Assets (GRAP 102)
- Employee Benefits (GRAP 25)
- Provisions, Contingent Liabilities and Contingent Assets (GRAP 19)
- Leases (GRAP 13)

The provisional amounts used to recognise the assets and liabilities are restated once they can be accurately determined. Only then will subsequent measurement requirements be applicable.

Classes of assets and useful lives are preliminary and will only be finalised once the assets transferred have been verified and valued.

The measurement period exemption shall not exceed the later of three years from the effective date of the Standard and the transfer date.

#### 2. Standards of GRAP issued but not yet effective

##### 2.1 Standards utilised in developing accounting policies and disclosure (with limited impact)

The PMTE has utilised the principles of the Standards of GRAP listed below in disclosing and accounting for relevant transactions. As a result, there will be limited impact on the financial statements when the Standards become effective.

*Standard:*

- GRAP 20: Related parties
- GRAP 105: Transfer of functions under common control
- GRAP 108: Statutory Receivables

##### 2.2 Standards not yet effective (with possible extended impact)

The PMTE has not applied the standards below which have been approved but not yet effective. The adoption of this Standard is not expected to have an impact on the results of the PMTE, but may result in more disclosure than is currently provided in the financial statements.

*Standard:*

- GRAP 18: Segment Reporting

##### 2.3 Standards not yet effective (with no impact)

The standards and interpretations listed below have been approved but are not yet effective. It is unlikely that the above Standards, Interpretations and/or amendments will have a material impact on the financial statements of the PMTE once they become effective, as the PMTE does not engage in transactions within the scope of these Standards.

*Standard/ Interpretation:*

- GRAP 106: Transfer of function of entities not under common control
- GRAP 107: Mergers
- IGRAP 11: Consolidation - Special Purpose Entities
- IGRAP 12: Jointly controlled entities - Non monetary contributions by ventures
- IGRAP 17: Service concession agreements where a grantor controls a significant residual interest in an asset
- IGRAP 32: Service concession agreements: Grantor

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**3. Receivables from exchange transactions**

	2016	2015*
	R'000	R'000
<b>Financial assets</b>		
Accommodation debtors - leasehold inter-governmental	529 080	242 818
Accommodation debtors - freehold inter-governmental debtors	347 811	251 939
Accommodation debtors - freehold private	8 986	6 289
Municipal services	517 331	376 220
Debt account	2 169	15 883
Revenue Accrual	1 249 635	631 574
Municipal Deposits	15 160	12 652
Other debtors	8	8
Recoverable property rates	-	-
	2 670 180	1 537 383
<b>Non-financial asset</b>		
Prepaid expenses	742 771	626 711
	<b>3 412 951</b>	<b>2 164 094</b>

The applicable interest rate, for outstanding receivables, for the period is 10.25% (2015: 9.25%).

Revenue accruals relates to services rendered to our clients but not yet invoiced.

**Receivables past due but not impaired**

There were no receivables past due that were not impaired. Refer to note 21 for impairment loss incurred during the period for receivables from exchange transactions.

**Individually significant receivables that are impaired.**

Individually significant receivables are identified if the specific receivable's outstanding balance exceeds 5% of the total outstanding balance for the class of receivable. The factors to identify impairment are similar to the group assessment for impairment. The analysis below shows the total accumulated impairment from individually significant receivables, as a percentage of the gross receivable balance per class of receivable:

	2016	2015*
	%	%
Accommodation debtors - freehold inter-governmental debtors	49	88
Accommodation debtors - leasehold inter-governmental	34	38
Municipal services	31	50
Debt account	64	67
Recoverable property rates	100	100

\* Restated

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**4. Receivables from non-exchange transactions**

	2016	2015*
	R'000	R'000
National Department of Public Works (service in-kind)	-	187 183
Accommodation debtors - freehold prestige	1 596	284
	<b>1 596</b>	<b>187 467</b>

Certain properties are leased to prestige officials. According to the ministerial handbook, prestige officials receive one state owned residence at no charge. If available, prestige officials may occupy a second state owned residence which is charged at a reduced market rental.

**Receivables from non-exchange transactions past due but not impaired**

There were no receivables past due that were not impaired. Refer to note 21 for impairment loss incurred during the period for receivables from non-exchange transactions.

**5. Operating lease asset/(liabilities)**

	2016	2015*
	R'000	R'000
Current assets	942 381	1 008 127
Current liabilities	(855 195)	(916 539)
	<b>87 186</b>	<b>91 588</b>
<b>Total operating lease asset - PMTE as lessor</b>		
Leasehold inter-governmental	855 195	916 539
Freehold private	87 186	91 588
	<b>942 381</b>	<b>1 008 127</b>
<b>Total minimum lease receipts - PMTE as lessor</b>		
Within one year	3 014 864	3 047 973
In second to fifth year inclusive	4 103 870	5 229 472
Later than five years	653 003	781 972
	<b>7 771 737</b>	<b>9 059 417</b>

*Leasehold inter-governmental*

Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, as at 31 March, is based on the contractually agreed upon notice period. The said amounts have been included in the "within one year" ageing bracket.

The inter-governmental operating leases are sub-lease agreements with various client departments and are on the same terms as those applicable to the lease agreements entered into with the landlords on leasehold property. As a result of the month-to-month and open-ended leasehold commitments included in note below, the equal and opposite amount is included in the PMTE leases above.

*Freehold private*

The disclosure of the minimum lease payments above relates to state owned properties that are leased out to private parties (accommodation debtor - freehold private).

\* Restated - See Note 36 and 37

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**5. Operating lease asset/(liabilities) (continued)**

	2016	2015*
	R'000	R'000
<b>Total operating lease liabilities - PMTE as lessee</b>		
Operating lease liabilities - leasehold inter-governmental	855 195	916 539
<b>Total minimum lease payments - PMTE as lessee</b>		
Within one year	2 981 695	3 014 122
In second to fifth year inclusive	4 004 456	5 115 337
Later than five years	501 514	614 323
	<b>7 487 665</b>	<b>8 743 782</b>

The PMTE has 2 459 active leases (2015: 2 588) included in the current private leasing portfolio. The leasehold commitments reflected above have been determined based on the terms and conditions of the relevant lease agreements. Based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment is determined taking into account the contractually agreed upon notice period. These amounts have been included as part of the "within one year" ageing bracket.

**6. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	234	329
Bank balance	3 748	5 868
Bank overdraft	(1 477 570)	(667 588)
	<b>(1 473 588)</b>	<b>(661 391)</b>
Current assets	3 982	6 197
Current liabilities	(1 477 570)	(667 588)
	<b>(1 473 588)</b>	<b>(661 391)</b>

The interest rate on the bank balance is variable. The average effective interest rate on short term bank deposits is 4.67% (2015: 4.17%). The bank overdraft carries no interest.

**7. Property, plant and equipment**

	2016			2015*		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	44 850 596	-	44 850 596	44 850 572	-	44 850 572
Buildings and improvements	67 942 132	(7 303 705)	60 638 427	63 990 298	(4 730 659)	59 259 639
Furniture and office equipment	100 056	(22 369)	77 687	86 217	(9 562)	76 655
Motor vehicles	608	(384)	224	608	(192)	416
Computer equipment	210 875	(50 125)	160 750	184 644	(12 273)	172 371
Other machinery and equipment	45 243	(8 935)	36 308	41 681	(4 215)	37 466
<b>Total</b>	<b>113 149 510</b>	<b>(7 385 518)</b>	<b>105 763 992</b>	<b>109 154 020</b>	<b>(4 756 901)</b>	<b>104 397 119</b>

\* Restated - See Note 36 and 37

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#### 7. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through transfer of functions	Disposals	Transfers	Transfers between DPW and PMTE	Additions through Assets under construction	Depreciation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	44 850 572	-	-	-	-	-	24	-	-	44 850 596
Buildings and improvements	59 259 639	-	-	-	432 877	-	3 518 957	(2 480 890)	(92 156)	60 638 427
Furniture and office equipment	76 655	15 752	-	(877)	-	(784)	-	(11 945)	(1 114)	77 687
Vehicles	416	-	-	-	-	-	-	(192)	-	224
Computer equipment	172 371	27 916	-	(887)	-	(215)	-	(37 555)	(880)	160 750
Other machinery and equipment	37 466	3 977	-	(257)	-	(84)	-	(4 231)	(563)	36 308
	<b>104 397 119</b>	<b>47 645</b>	<b>-</b>	<b>(2 021)</b>	<b>432 877</b>	<b>(1 083)</b>	<b>3 518 981</b>	<b>(2 534 813)</b>	<b>(94 713)</b>	<b>105 763 992</b>

\*Restated - See Note 36 and 37

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**7. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2015\***

	Opening balance	Additions	Additions through transfer of functions	Disposals	Transfers	Transfers between DPW and PMTE	Additions through Assets under construction	Depreciation	Impairment loss	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	44 849 217	-	-	-	-	-	1 355	-	-	44 850 572
Buildings and improvements	58 140 350	-	-	-	406 334	-	3 139 397	(2 426 442)	-	59 259 639
Furniture and office equipment	21 267	9 976	53 546	(34)	-	-	-	(8 100)	-	76 655
Vehicles	-	-	608	-	-	-	-	(192)	-	416
Computer equipment	9 777	145 485	27 629	(42)	-	-	-	(10 478)	-	172 371
Other machinery and equipment	10 259	18 283	12 159	(31)	-	-	-	(3 204)	-	37 466
	<b>103 030 870</b>	<b>173 744</b>	<b>93 942</b>	<b>(107)</b>	<b>406 334</b>	<b>-</b>	<b>3 140 752</b>	<b>(2 448 416)</b>	<b>-</b>	<b>104 397 119</b>

\* Restated

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**7. Property, plant and equipment (continued)**

	Opening balance	Current year expenditure - additions through assets under construction	Transfers to completed projects	Total
	R'000	R'000	R'000	R'000
<b>Reconciliation of assets under constructions - 2016</b>				
Land	11 575	24	(2)	11 597
Buildings and improvements	5 311 665	3 518 957	(837 231)	7 993 391
	<b>5 323 240</b>	<b>3 518 981</b>	<b>(837 233)</b>	<b>8 004 988</b>
<b>Reconciliation of assets under constructions - 2015*</b>				
Land	178 023	1 355	(167 803)	11 575
Building and improvements	5 364 284	3 139 397	(3 192 016)	5 311 665
	<b>5 542 307</b>	<b>3 140 752</b>	<b>(3 359 819)</b>	<b>5 323 240</b>

**Assets subject to finance lease (Net carrying amount)**

	2016	2015*
	R'000	R'000
Furniture and office equipment	10 633	4 913
Vehicles	224	416
	<b>10 857</b>	<b>5 329</b>

Refer to note 15 for further details regarding the commitments for finance leased asset.

**Transitional provisions**

All classes of property, plant and equipment were impacted by the transfer of functions. Refer to note 37 for further details.

\* Restated - See Note 36 and 37

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**8. Investment property**

	2016			2015*		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	5 711 603	(463 088)	5 248 515	5 711 603	(308 425)	5 403 178

**Reconciliation of investment property - 2016**

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Land	1 322 857	-	1 322 857
Buildings and improvements	4 080 321	(154 663)	3 925 658
	<b>5 403 178</b>	<b>(154 663)</b>	<b>5 248 515</b>

**Reconciliation of investment property - 2015 \***

	Opening balance	Depreciation	Total
	R'000	R'000	R'000
Land	1 322 857	-	1 322 857
Buildings and improvements	4 234 562	(154 241)	4 080 321
	<b>5 557 419</b>	<b>(154 241)</b>	<b>5 403 178</b>

**Transitional provisions**

All classes of investment property were impacted by the transfer of functions. Refer to note 37 for further details.

\* Restated - See Note 36 and 37

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**9. Heritage assets**

	2016			2015*		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	141 985	-	141 985	141 985	-	141 985
Building and improvements	1 188 143	-	1 188 143	1 008 118	-	1 008 118
<b>Total</b>	<b>1 330 128</b>	<b>-</b>	<b>1 330 128</b>	<b>1 150 103</b>	<b>-</b>	<b>1 150 103</b>

	Opening balance	Additions through Assets under construction	Total
	R'000	R'000	R'000
<b>Reconciliation of heritage assets - 2016</b>			
Land	141 985	-	141 985
Buildings and improvements	1 008 118	180 025	1 188 143
	<u>1 150 103</u>	<u>180 025</u>	<u>1 330 128</u>
<b>Reconciliation of heritage assets - 2015*</b>			
Land	141 985	-	141 985
Buildings and improvements	783 055	225 063	1 008 118
	<u>925 040</u>	<u>225 063</u>	<u>1 150 103</u>

	Opening balance	Current year expenditure	Transfers to completed assets	Total
	R'000	R'000	R'000	R'000
<b>Reconciliation of assets under construction - 2016</b>				
Buildings and improvements	475 527	180 025	(89 531)	566 021
<b>Reconciliation of assets under construction - 2015*</b>				
Buildings and improvements	505 338	225 063	(254 874)	475 527

**Restrictions on heritage assets**

The PMTE is not allowed to dispose of heritage assets under its custodianship.

**Transitional provisions**

Heritage assets recognised at provisional amounts. All classes of heritage assets were impacted by the transfer of functions. Refer to note 37 for further details.

\* Restated - See Note 36 and 37

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**10. Intangible assets**

	2016		2015*	
	Cost	Accumulated depreciation and accumulated impairment	Cost	Accumulated depreciation and accumulated impairment
	R'000	R'000	R'000	R'000
Computer software	17 289	(4 913)	15 697	(3 318)
		Carrying value		Carrying value
		R'000		R'000
		12 376		12 379

Opening balance	Additions	Additions through transfer of functions	Disposals	Amortisation	Impairment loss	Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000
12 379	3 711	-	(1 660)	(2 031)	(23)	12 376
32 904	7 487	6 622	(19 661)	(14 973)	-	12 379

**Reconciliation of intangible assets - 2016**

Computer software

**Reconciliation of intangible assets - 2015\***

Computer software

**Transitional provisions**

**Intangible assets recognised at provisional amounts**

All classes of intangible assets were impacted by the transfer of functions. Refer to note 37 for further details.

\* Restated - See Note 36 and 37

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**11. Deferred revenue**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Deferred revenue	6 549 113	4 364 843
This relates to recoverable capital claims for projects that are under construction which will be deferred until the project is complete.		
Opening balance	4 364 843	4 108 552
Plus: Revenue deferred during the year	2 420 026	1 834 191
Less: Revenue recognised during the year	(235 756)	(1 577 900)
	<b>6 549 113</b>	<b>4 364 843</b>

**12. Payables from exchange transactions**

**Financial liabilities**

Accrued expenses - Assets	163 859	540 850
Accrued expenses - Cleaning and gardening	20 841	15 058
Accrued expenses - Leases	326 860	341 148
Accrued expenses - Maintenance	417 379	299 337
Accrued expenses - Municipal services	720 529	305 773
Accrued expenses - Other	189 777	7 001
Accrued expenses - Property rates	33 832	155 701
Accrued expenses - Schedule maintenance	147 691	153 591
Accrued expenses - Security	5 563	2 893
Accrued expenses - Service in-kind	-	21 240
<i>Total accrued expenses</i>	2 026 331	1 842 592
Unallocated deposits	55 334	50 452
Trade payables	4	62
Deposits received	16	-
Contract guarantees	-	90
	<b>2 081 685</b>	<b>1 893 196</b>

**Non-financial liabilities**

Income received in advance - leases	510 835	527 266
Income received in advance - other services	41 875	51 809
	<b>2 634 395</b>	<b>2 472 271</b>

**13. Retention liabilities**

Non-current liabilities	21 381	34 717
Current liabilities	278 255	222 637
	<b>299 636</b>	<b>257 354</b>

\* Restated - See Note 36 and 37

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**14. Employee benefit obligations**

	2016	2015*
	R'000	R'000
<b>Provision for performance bonus</b>		
Opening balance	18 144	9 535
Obligation due to the transfer of functions - effective 1 April 2014	-	5 790
Movement in service cost recognised in financial performance	(50)	2 819
	<b>18 094</b>	<b>18 144</b>
<b>Provision for service bonus</b>		
Opening balance	33 613	16 863
Obligation due to the transfer of functions - effective 1 April 2014	-	15 510
Movement in service cost recognised in financial performance	399	1 240
	<b>34 012</b>	<b>33 613</b>
<b>Provision for leave</b>		
Opening balance	118 826	55 815
Obligation due to the transfer of functions - effective 1 April 2014	-	45 521
Movement in service cost recognised in financial performance	(8 142)	17 490
	<b>110 684</b>	<b>118 826</b>
<b>Total employee benefit obligations</b>	<b>162 790</b>	<b>170 583</b>

**Transitional provisions**

Include in the above is employee benefit obligations recognised at a provisional amount of R 67 million for obligations transferred at 1 April 2014.

**15. Finance lease obligation**

**Minimum lease payments due**

- within one year	7 981	4 155
- in second to fifth year inclusive	4 603	2 218
	12 584	6 373
less: future finance charges	(977)	(494)
<b>Present value of minimum lease payments</b>	<b>11 607</b>	<b>5 879</b>

**Present value of minimum lease payments due**

- within one year	7 274	3 813
- in second to fifth year inclusive	4 333	2 066
	<b>11 607</b>	<b>5 879</b>

Non-current liabilities	433	1 916
Current liabilities	11 174	3 963
	<b>11 607</b>	<b>5 879</b>

The finance lease liability relates to vehicles, furniture and office equipment, whereby the PMTE takes ownership of the asset upon completion of the contract. These contracts are typically for a period of 36 months for cellphones and 24 months for 3G cards. All contracts have no escalation clauses.

\* Restated - See Note 36 and 37

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**16. Provisions**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
<b>Reconciliation of provisions - 2016</b>					
Municipal services and property rates	-	177 336	-	-	177 336
Legal proceedings	15 551	2 798	(5 054)	-	13 295
	<b>15 551</b>	<b>180 134</b>	<b>(5 054)</b>	<b>-</b>	<b>190 631</b>
<b>Reconciliation of provisions - 2015*</b>					
Legal proceedings	37 615	19 870	(13 389)	(28 545)	15 551

*Municipal services and property rates*

The DPW embarked on Phase II Invoice Verification project to verify claims across all regions made by local municipalities on arrear municipal debts. The project involved detailed and extensive investigation and verification of claim with the local municipalities to ensure only confirmed and valid claims are settled. The project is expected to be finalised in the second quarter of the year 2016/17 financial year.

Previously, the PMTE raised an accrual, included in the payables from exchange transactions, amounting to R 461 million payments that have been made in the 2015/16 financial year relating to backlog municipal services and property rates. As a result of this project, the PMTE has identified prepayments to municipalities amounting to R 67 million included in the Prepaid expenses in note 3. Verification process of the confirmed debt from municipalities is currently underway and as a result the debt owed to municipalities has been included above.

Debt owed to/due from municipalities but not confirmed has been included in contingent liabilities and contingent assets respectively (refer to note 28). Included in contingent liabilities is an amount of R 22 million relating to interest charged by municipalities which are still in the process of verification.

*Legal proceedings*

Provisions for legal proceedings consist of claims and litigations for services that have been delivered without an indication of the timing of settlement or the amount of settlement. The provision is based on the amounts confirmed by the legal advisors of the PMTE.

\* Restated - See Note 36 and 37

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**17. Revenue from exchange transactions**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Accommodation charges - Leasehold inter-governmental	4 219 721	3 874 050
Accommodation charges - Freehold inter-governmental	4 370 333	5 297 721
Accommodation charges - Freehold private	42 126	28 164
Management fees on municipal services	181 992	192 145
Reversal of impairment loss for receivables from exchange transactions	47 734	204 191
Sundry revenue	21 615	511
Interest revenue	7 265	5 812
Recoveries	10	4 214
	<b>8 890 796</b>	<b>9 606 808</b>
<i>Interest revenue consists of:</i>		
Interest from receivables	7 261	5 790
Interest on bank balances	4	22
	<b>7 265</b>	<b>5 812</b>

**18. Revenue from non-exchange transactions**

Augmentation	3 524 652	673 372
Contractor fines	10 546	3 060
Goods and service in-kind	35 203	2 055 669
Accommodation charges - Prestige	2 013	1 778
Donations revenue	432 877	573 828
Reversal of impairment loss for receivables from non-exchange transactions	552	-
	<b>4 005 843</b>	<b>3 307 707</b>

\* Restated - See Note 36 and 37

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**19. Depreciation, amortisation and impairments of assets**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Property, plant and equipment	2 629 526	2 448 416
Investment property	154 663	154 241
Intangible assets	2 054	14 973
	<b>2 786 243</b>	<b>2 617 630</b>

**20. Employee related costs**

Bargaining council	317	300
Basic salary and non-pensionable salary	970 348	954 350
Housing allowances	52 834	48 162
Medical aid contributions	69 141	59 982
Overtime	21 079	18 449
Pension fund contributions	108 625	104 802
Performance bonus	17 318	17 548
Service bonus	69 798	64 812
	<b>1 309 460</b>	<b>1 268 405</b>

**21. Impairment loss on receivables**

Receivables from exchange transactions	414 383	183 838
Receivables from non-exchange transactions	-	552
	<b>414 383</b>	<b>184 390</b>

**22. Interest expense**

Interest on overdue accounts	888	136
Interest on municipal services and property rates	94 804	-
Interest on finance leases	942	585
	<b>96 634</b>	<b>721</b>

Interest due on backlog municipal services and property rates has not been paid however has been provided as explained in note 16.

**23. Loss on disposal/transfer of assets**

Property, plant and equipment	5 186	107
Intangible assets	-	19 661
	<b>5 186</b>	<b>19 768</b>

\* Restated - See Note 36 and 37

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**24. Operating lease**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Operating lease - building and improvements	4 009 323	3 906 689
Operating lease - vehicles, furniture and office equipment	42 453	-
Rent on land	32 570	17 074
	<b>4 084 346</b>	<b>3 923 763</b>

**25. Sundry operating expenses**

Advertising	3 909	22 710
Auditors remuneration	29 776	-
Bad debts written off	14 648	413
Bank charges	196	164
Claims against the state	1 429	-
Cleaning and gardening	218 006	182 541
Communication expenses	12 614	-
Computer software related expenses	19 961	13 848
Consulting fees	219 472	43 638
Consumables	24 075	18 977
Fleet expenses	18 486	16 537
Losses incurred	55 556	78 988
Municipal service expenses	378 406	278 912
Other contractors	5 435	72 912
Other goods and services	1 724	59 118
Retirement awards	10 420	-
Security	60 948	51 570
Service in-kind receivable derecognised #	187 183	16 601
Travel and subsistence	69 227	40 379
Under recovery of lease expenses	-	15 616
	<b>1 331 471</b>	<b>912 924</b>

# Service in-kind receivable derecognised:

Previously the PMTE recognised certain expenses which were paid by the DPW as a receivable (e.g. employee benefits due to the employees paid for by the DPW). However, as a result of the transfer of budget, the DPW will no longer be liable to pay for these expenses and benefits due to the PMTE. As a result the receivable was derecognised.

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
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**26. Cash generated from operations**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
(Deficit) / surplus	(923 072)	1 158 656
<b>Adjustments for:</b>		
Depreciation, impairment and amortisation	2 786 243	2 617 630
Loss on disposal/transfer of assets	5 186	19 768
Interest expense	178 209	721
Interest revenue	(7 265)	(5 812)
Donations revenue	(432 877)	(406 335)
Impairment on receivables	414 383	184 390
Bad debt written off	14 648	413
Reversal of impairment loss on receivables	(48 286)	(204 191)
Service in-kind revenue	(35 193)	(2 055 669)
Service in-kind expenditure	187 183	16 601
Losses incurred	55 556	78 988
Under recovery of leases expenses	-	15 616
Accommodation charges - freehold intergovernmental	-	(33 602)
Transfer of functions adjustment	3 143	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(1 307 474)	(299 680)
Receivables from non-exchange transactions	185 871	(88 556)
Operating lease asset	65 746	(79 894)
Operating lease liabilities	(61 344)	47 911
Payables from exchange transactions	162 122	621 000
Provisions	80 275	(22 064)
Employee benefit obligations	(7 792)	88 370
Retention liabilities	42 282	(3 071)
Deferred revenue	2 184 270	1 578 337
Income received in advance	-	51 809
	<b>3 541 814</b>	<b>3 281 336</b>

\* Restated - See Note 36 and 37

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

#### 27. Budget differences

	2016
	R'000
<b>Reconciliation of budget to actual</b>	
Net cash flows from operating activities	3 541 814
Net cash flows from investing activities	(4 360 790)
	<b>(818 976)</b>
Cash deficit per statement of comparison of budget and actual amounts	(812 197)
Deficit for the year	(923 072)
<b>Basis difference</b>	<b>(1 735 269)</b>

The difference between the cash surplus per the Statement of Comparison of Budget and Actual Amounts and the Statements of Financial Performance relates to non-cash movements. The PMTE's approved budget was for the 12 month period ending 31 March 2016.

#### Explanations of material variances between actual amounts and final budgeted amount

##### *Accommodation charges - freehold inter-governmental and leasehold inter-governmental*

The revenue projection is based on the invoices issued, while the actual represents the amount received in the bank account. The balance of the amount not received is represented in receivables.

##### *Municipal services recovered and paid*

The PMTE performs the role as agent for all client departments when municipal services are provided. These services are performed for the benefit of the client who remains the principal in this agreement. The principal should account for the amount received or paid. Hence zero amount budgeted for this item. Net effect of payments and recoveries should be zero as municipal services are managed on a cost recovery basis. Payments may exceed recoveries due to delays in invoicing.

##### *Management fee on municipal services*

The budgeted amount is based on the payments made for municipal services. Due to the timing difference between the payments and the invoices issued, the actual recoveries may be less than planned.

##### *Maintenance - scheduled*

The budget is based on the cash flow projection of hundreds of projects. These cash flows change constantly due to SCM processes, conditions on site, etc. The fluctuations are managed as far as possible during the year, but extremely difficult to match adjustments timeously due to external changes.

##### *Maintenance - unplanned*

This budget relates to day-to-day breakdowns and routine maintenance done on installations such as air conditioners, boilers, water treatment plants, etc. Due to the nature of the expense, the budget is monitored and adjusted frequently but needs to be flexible as the number of breakdowns cannot be predicted.

##### *Cleaning and gardening*

The expenditure is based on payments made to suppliers contracted to deliver these services.

##### *Operating leases*

The budgeted amount is based on the invoices issued which are based on payments made for operating leases. Due to the timing difference between the payments and the invoices issued, the actual recoveries may be less than planned.

##### *Property rates*

The PMTE spent substantially more on property rates than originally allocated due to the payment of arrears rates resulting from the rates verification project. The original budget was supplemented with savings from other items to make provision for the payments of invoices received from municipalities relating to arrear property rates accounts.

##### *Municipal services expenditure*

Allocation was based on previous years' municipal services expenditure for properties occupied by the PMTE. However in the current year the expenditure was less than anticipated due to a decrease in consumption.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

#### 27. Budget differences (continued)

##### *Administrative goods and services and compensation*

Funds were underspent due to the claims process followed between DPW and PMTE. Expenditure reports were not available in real time and as a result officials were hesitant to spend funds while they were unsure whether there would still be allocations available.

##### *Capital expenditure*

The refurbishment and planned maintenance capital expenditure were at 100% of the total allocation. The difference is attributable to the acquisition of Telkom Towers which were purchased using goods and services allocations through the reprioritisation of funds from the Turnaround budget.

R17 million underspending on Machinery and equipment relates to 1 200 laptops that were procured before year-end but only paid subsequent to 31 March 2016.

A specific portion was ringfenced in the client capital allocations for BCOCC. These projects could not be executed and as a result funds could not be utilised. The PMTE requested National Treasury to transfer some of these funds to the Department of Home Affairs where the funds could be utilised. On the date National Treasury received the submission there were unfortunately no legislative mechanism to transfer the funds as the Adjusted Estimates of National Expenditure had already been finalised.

#### 28. Contingencies

##### Contingent liabilities

Municipal services and property rates  
Legal claims against the PMTE

	2016	2015*
	R'000	R'000
Municipal services and property rates	60 191	9 680
Legal claims against the PMTE	67 358	117 920
	<b>127 549</b>	<b>127 600</b>

##### *Municipal services and property rates*

The DPW embarked on Phase II Invoice Verification project to verify claims across all regions made by local municipalities on arrear municipal debts. The project involved detailed and extensive investigation and verification of claim with the local municipalities to ensure only confirmed and valid claims are settled. The project is expected to be finalised in the second quarter of the year 2016/17 financial year. For further details refer to note 16.

##### *Legal Claims against the PMTE*

The claims against the PMTE arose from property and maintenance disputes with various third parties and/or service providers. The entity's legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent liability and that the outflow of economic benefits is possible at the reporting date.

##### Contingent assets

Municipal services and property rates  
Legal claims by the PMTE  
Retentions and variable contract guarantees  
Under recovery of accommodation charges - leasehold inter-governmental  
Recoverable property rates  
Property, plant and equipment

	2016	2015*
	R'000	R'000
Municipal services and property rates	1 277	-
Legal claims by the PMTE	179 134	2 657
Retentions and variable contract guarantees	126 215	131 311
Under recovery of accommodation charges - leasehold inter-governmental	-	316 270
Recoverable property rates	Undefined	Undefined
Property, plant and equipment	Undefined	Undefined
	<b>306 626</b>	<b>450 238</b>

\* Restated - See Note 36 and 37

## PROPERTY MANAGEMENT TRADING ENTITY

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## Notes to the Annual Financial Statements

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### 28. Contingencies (continued)

#### *Municipal services and property rates*

The DPW embarked on Phase II Invoice Verification project to verify claims across all regions made by local municipalities on arrear municipal debts. The project involved detailed and extensive investigation and verification of claim with the local municipalities to ensure only confirmed and valid claims are settled. The project is expected to be finalised in the second quarter of the year 2016/17 financial year. For further details refer to note 16.

#### *Legal claims by the PMTE*

The claims for the PMTE arose from property and maintenance disputes with various third parties and/or service providers. The entity's legal advisors are handling the claims on behalf of the PMTE and have assessed the probability of each claim in determining the total amount of the legal contingent asset and that the inflow of economic benefits is possible at the reporting date.

#### *Retentions and variable contract guarantees*

Different contract types exist for the construction of properties by the contractors which include a range of security clauses for the purpose of managing the risk of non-performance by the contractor. These security clauses stipulate that the PMTE is entitled to retain a specified portion of the payment on each invoice received. Management did however not apply these security clauses accurately resulting in insufficient amounts being retained on each payment. At inception of the contract the PMTE has the choice of either selecting a retention or a guarantee for security purposes should the contractor default. The variable contract guarantee is paid upfront by the contractor while for retentions a percentage is withheld on each payment to the contractor.

PMTE Management has the intention to recoup these amounts on future payments. However contractors may not be willing to accept reduced payment and carry the consequences for management oversight. Therefore in the absence of objective evidence that the PMTE will be able to recover these funds before the projects are completed, the PMTE cannot conclude that future economic benefits will be possible and a contingent asset is disclosed.

#### *Under recovery of accommodation charges - leasehold inter-governmental*

Leases were identified where the PMTE did not recover all payments in accordance with sub-leases from client departments. During the financial year ending 31 March 2016, continuing with the leases improvements to clear historical matters meetings were held with client departments to sensitise them regarding the future claims. During the current financial year, management has recognised a receivable for these outstanding amounts.

#### *Recoverable property rates*

The PMTE is currently paying for property rates on properties of which it is not the registered custodian. There is a project underway whereby properties are correctly vested with the rightful custodian. The total value of the property rates still under investigation amounts to R 90 million (2015: R 21 million) and therefore, the amount recoverable for these properties cannot be reliably determined at reporting date.

#### *Property, plant and equipment*

The PMTE has identified 164 land parcels (not improved) which are registered in the name of National Government of RSA for which no extents are available. These land parcels have not been recognised in the DPW Asset register as they cannot be reliably measured and hence do not meet the recognition measurement criteria to be accounted for as immovable assets in the PMTE financial records.

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**29. Commitments**

**Capital commitments - Projects**

Commitments for the acquisition of non-financial assets (consisting of property, plant and equipment, investment property, heritage assets and intangible assets) that are contracted for, but not provided for, in the financial statements, are reflected in the table below. Included in the capital commitments amount below of R 5 831 million (2015: R 6 978 million) are the Contract Price Adjustment Provision (CPAP) commitment of R 624 million (2015: R 531 million), year end accruals for amounts still owed to the contractors for goods and services already delivered, and finally retentions as illustrated below:

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Gross capital commitment	5 831 183	6 977 863
<i>Adjusted for:</i>		
Retentions	(219 332)	(173 373)
Payables from exchange transactions (accrued expenses)	(214 739)	(631 854)
	<b>5 397 112</b>	<b>6 172 636</b>

Refer to note 33 for the ageing of capital commitments.

**Operating lease vehicle commitments**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
Within one year	35 354	-
In second to fifth year inclusive	8 756	-
Later than five years	-	-
	<b>44 110</b>	<b>-</b>

The operating lease for vehicles is on a month-to-month basis and therefore no operating lease asset or liability exists. Refer to note 33 for the ageing of other commitments.

\* Restated - See Note 36 and 37

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**30. Fruitless and wasteful expenditure**

	2016	2015*
	R'000	R'000
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance	261 461	335 177
Incurred during the year	-	239
Fruitless and wasteful expenditure - relating to current year	66	-
Less amounts resolved	-	(73 955)
Less amounts reversed	(14 791)	-
	<b>246 736</b>	<b>261 461</b>

The investigations on fruitless and wasteful expenditure are ongoing. In instances where investigations have been concluded and officials have been found liable for the expenditure, appropriate disciplinary steps have been instituted against such officials as well as civil claims for recovery of amounts from service providers.

The current year amount of R 66 000 relates to interest paid on overdue accounts. The expenditure arose due to delays experienced in migrating to the new accounting system.

The amounts resolved relates to prior year errors. These amounts were previously accounted for as fruitless and wasteful expenditure and could not be substantiated and confirmed as such due to insufficient information to support the assertion.

	2016
	R'000
<b>Details of fruitless and wasteful expenditure - current year</b>	
Interest paid on overdue accounts	66

Further investigations will be conducted by management to determine liability and possible recovery. Appropriate actions will be taken against service providers and officials found to have been responsible for the expenditure.

**31. Irregular expenditure**

	2016	2015*
	R'000	R'000
Opening balance	31 985 176	34 417 205
Add: Irregular expenditure - current year	509 676	1 233 549
Add: Irregular expenditure - prior year	725	-
Less: Amounts condoned - current year	-	(45 125)
Less: Amounts condoned - prior years	(90 212)	(3 175 554)
Less: Amounts not recoverable (not condoned)	(27 257 378)	(444 899)
	<b>5 147 987</b>	<b>31 985 176</b>

The investigations on irregular expenditure are ongoing. In instances where investigations have been concluded and officials have been found liable, appropriate disciplinary steps have been instituted against such officials as well as civil claims for recovery of amounts from service providers, where applicable.

\* Restated - See Note 36 and 37

## PROPERTY MANAGEMENT TRADING ENTITY

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#### 31. Irregular expenditure (continued)

Amounts not recoverable (not condoned) relate to the transactions that had gone through the prescribed process in terms of the Guideline on irregular expenditure issued by the National Treasury. Preliminary investigations found that no instances of fraudulent activities had taken place, no loss/damage to the state was incurred, and there was evidence that the goods and/or services were actually delivered to the entity. The preliminary investigations revealed that officials who were involved in these contracts are no longer in the employ of the entity. These transactions were identified long after the events had actually taken place and not in the year in which the irregularity had occurred. After extensive discussions with the National Treasury, a decision was made to cease further investigation on the identified transactions as the costs far outweigh the benefits that would be derived from continuing with the cases.

In the prior year audit process, an amount of R102 million was discovered as possible irregular expenditure. At the conclusion of the current audit cycle, the validation process had not been finalised. There was further limitation of scope for files amounting to R261 million in the previous financial year which were investigated by external investigative authorities.

In the current audit cycle, an amount of R 944 million was discovered by the AGSA as possible irregular expenditure which management needed to validate in line with the National Treasury Guideline on Irregular Expenditure. The validation process could not be completed during the audit cycle. It is anticipated that the validation process will be completed in the 2016/17 financial year and the disclosure note will be made after the conclusion of this process.

During the 2013/14 and 2014/15 financial years, the National Treasury granted the Entity approval to renew certain leases that had expired without going out on tender. The approval of the National Treasury was accompanied by certain conditions which the PMTE had to comply with. However, during the process of negotiation and renewal of the leases, there were certain leases whose renewal did not comply with the conditions that the National Treasury had imposed. These transactions were referred to the Inspectorate and Compliance unit within the Department to validate if such deviations would result in irregular expenditure. Such a validation is expected to be completed by end November 2016 and the necessary disclosures will be made thereafter.

	2016
	R'000
<b>Details of irregular expenditure - current year</b>	
Correct procurement process not followed in current year	47 582
Correct procurement process not followed in prior year	462 094
	<u>509 676</u>

An amount of R462 million incurred in current year relates to multi-year projects entered into in previous financial years for which payments were made in the current year.

The amount of R48 million incurred in the current year relates to various contracts where correct procurement processes were not followed.

	2016
	R'000
<b>Details of irregular expenditure not recoverable (not condoned)</b>	
Correct process not followed	<u>(27 257 378)</u>

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**32. Financial instruments disclosure**

	2016	2015*
	R'000	R'000
<b>Categories of financial instruments</b>		
<i>Financial assets at amortised cost</i>		
Receivables from exchange transactions	2 670 180	1 537 383
Cash and cash equivalents	3 982	6 197
	<b>2 674 162</b>	<b>1 543 580</b>
<i>Financial liabilities at amortised cost</i>		
Bank overdraft	1 477 570	667 588
Payables from exchange transactions	2 081 685	1 893 196
Retention liabilities	299 636	257 354
Finance lease obligation	11 607	5 879
	<b>3 870 498</b>	<b>2 824 017</b>

**33. Risk management**

**Financial risk management**

The PMTE's activities expose it to a variety of financial risks which includes market risk (including interest rate risk), credit risk and liquidity risk.

The Director-General, as the Accounting Officer, is responsible for strategic risk management within the PMTE and tasks the Audit Committee with providing advice thereon. The PMTE has a risk management strategy that has been developed in terms of the Treasury Regulation 3.2. The purpose of the PMTE risk management strategy is to identify the risks and ensure that the overall risk profile remains at acceptable levels. The risk management strategy provides reasonable, but not absolute, assurance that risks are being adequately managed.

The PMTE risk policy sets out the minimum standards of risk management to be adopted and adhered to by all the units within the PMTE. The risk policy is established to identify and analyse the risks faced by the PMTE, to set appropriate risk tolerance levels and controls and to monitor risks and adherence these tolerance levels. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the PMTE activities. The risk management policy contains processes for identifying both the impact and likelihood of such a risk occurring. Risks that have been identified as having a potentially severe impact on the PMTE are regarded as unacceptable and where possible will be avoided. Financial risk is not considered significant with the exception of the overdraft.

Responsibility for adherence to the PMTE risk management strategy rests with the Risk Management unit together with the Internal Audit and Compliance units who engage with the Audit Committee and members of the Executive Committee (EXCO) regularly.

**Liquidity risk**

Liquidity risk is the risk that the PMTE is not able to settle its obligations. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

For operating lease liabilities and finance lease liabilities, the maturity analysis is disclosed in note 5 and note 15 respectively. Operating lease payments for vehicles increases annually based on CPIX. All payments are due within 30 days except tender deposits and retentions which are due when the related contracts expire. These tender deposits are considered immaterial in managing the cash flows of the PMTE and have been excluded from the maturity analysis below

\* Restated - See Note 36 and 37

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**33. Risk management (continued)**

	Note	1 month	2-12 months	2 years	3 years	> 3 years	Total
		R'000	R'000	R'000	R'000	R'000	R'000
<b>2016</b>							
Bank overdraft	6	1 477 570	-	-	-	-	1 477 570
Accrued expenses - Assets	12	163 859	-	-	-	-	163 859
Accrued expenses - Cleaning and gardening	12	20 841	-	-	-	-	20 841
Accrued expenses - Leases	12	326 860	-	-	-	-	326 860
Accrued expenses - Maintenance	12	417 379	-	-	-	-	417 379
Accrued expenses - Municipal services	12	720 529	-	-	-	-	720 529
Accrued expenses - Other	12	189 777	-	-	-	-	189 777
Accrued expenses - Property rates	12	33 832	-	-	-	-	33 832
Accrued expenses - Schedule Maintenance	12	147 691	-	-	-	-	147 691
Accrued expenses - Security	12	5 563	-	-	-	-	5 563
Income received in advance - leases	12	510 835	-	-	-	-	510 835
Trade payables	12	4	-	-	-	-	4
Retention liabilities	13	161 279	117 158	14 395	1 283	5 703	299 818
Capital commitments - Projects	29	1 229 448	2 828 984	1 000 633	298 132	39 915	5 397 112
Operating lease commitments (vehicles)	29	2 946	32 407	8 757	-	-	44 110
		<b>5 408 413</b>	<b>2 978 549</b>	<b>1 023 785</b>	<b>299 415</b>	<b>45 618</b>	<b>9 755 780</b>
<b>2015*</b>							
Bank overdraft	6	667 588	-	-	-	-	667 588
Accrued expenses - Assets	12	540 850	-	-	-	-	540 850
Accrued expenses - Cleaning and gardening	12	15 058	-	-	-	-	15 058
Accrued expenses - Leases	12	341 148	-	-	-	-	341 148
Accrued expenses - Maintenance	12	299 337	-	-	-	-	299 337
Accrued expenses - Municipal services	12	305 773	-	-	-	-	305 773
Accrued expenses - Other	12	7 001	-	-	-	-	7 001
Accrued expenses - Property rates	12	155 701	-	-	-	-	155 701
Accrued expenses - Schedule Maintenance	12	153 591	-	-	-	-	153 591
Accrued expenses - Security	12	2 893	-	-	-	-	2 893
Accrued expenses - Service in-kind	12	21 240	-	-	-	-	21 240
Income received in advance - leases	12	527 266	-	-	-	-	527 266
Trade payables	12	62	-	-	-	-	62
Retention liabilities	13	168 923	53 714	28 139	4 539	2 039	257 354
Capital commitments - Projects	29	1 062 596	1 127 610	3 300 175	288 381	393 874	6 172 636
		<b>4 269 027</b>	<b>1 181 324</b>	<b>3 328 314</b>	<b>292 920</b>	<b>395 913</b>	<b>9 467 498</b>

\* Restated - See Note 36 and 37

## PROPERTY MANAGEMENT TRADING ENTITY

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### Notes to the Annual Financial Statements

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#### 33. Risk management (continued)

During both the current and prior financial period, the project managers retained insufficient amounts on each payment/invoice as prescribed by the applicable contracts with the contractors. The retention is used as security to manage the risk of non-performance/defaulting by the contractors. By not retaining sufficient amounts on each payment/invoice the PMTE is exposing itself to greater risk as it will not have any bargaining power should the contractors default.

The PMTE has 2 459 active leases (2015: 2 588) included in the current private leasing portfolio. The leasehold commitments reflected have been determined based on the terms and conditions of the relevant lease agreements. However, based on the nature of leases that are running on a month-to-month and open-ended basis, the related leasehold commitment, as at year-end, is determined taking into account the contractually agreed upon notice period. These amounts have been included as part of the "within one year" ageing bracket. For further commitment disclosure for operating leases, refer to note 5.

The PMTE does not enter into capital and/or lease commitments without ensuring commitment from the client departments to settle its obligations.

The liquidity maturity analysis represents the contractual cash flows and has not been discounted.

#### Credit risk

Credit risk is the risk of financial loss to the PMTE if a client department or counterparty defaults on its contractual obligations to the PMTE. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The PMTE may have financial assets arising out of transactions with suppliers due to overpayments and non-delivery. The PMTE manages this risk by requiring retentions and/or guarantees before contract work commences.

The credit risk of financial assets arising out of lease contracts as it relates to transactions with other government departments and institutions is actively managed where there are disagreements about inter governmental debt.

The PMTE first engages with the respective client to resolve the issue and if required involves National Treasury to mediate the situation. These various government institutions have no independent credit ratings.

Outstanding debt is assessed for impairment and amounts are not written off unless the authorised process is followed. However, as a result of client departments' inability to accumulate savings to settle debt, a considerable amount of time may expire before the amount is collected.

The PMTE is also exposed to additional credit risk as a result of the transfer of functions as it now also collects monies from the private sector for leases. The extent of these are not considered to be material.

The PMTE makes provision for this in the impairment calculation by discounting the expected future cash flows taking into account the expected period of payment.

The PMTE does not enter into additional leases with any client departments without first assessing the current outstanding debt of the client department.

Amounts that are neither past due nor impaired are considered to be recoverable as it relates to the current invoices not outstanding later than 30 days.

The nature of the PMTE's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

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**33. Risk management (continued)**

	2016	2015*
	R'000	R'000
Financial and statutory assets exposed to credit risk at year end were as follows:		
Cash and cash equivalents	3 982	6 197
Receivables from exchange transactions	2 670 180	1 537 383
Receivables from non-exchange transactions	1 596	187 467
Operating lease asset	942 381	1 008 127
	<b>3 618 139</b>	<b>2 739 174</b>

The carrying values of the above financial assets are net of any impairments and approximate their fair value.

None of the amounts disclosed above have been pledged as security or collateral for liabilities or contingent liabilities.

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The PMTE is exposed to limited interest rate risk from cash balances as it sweeps transactions through commercial accounts to the Reserve Bank account.

The PMTE is exposed to changes in the interest rate applicable to debt owned by the state and is intrinsic to the business. National Treasury determines this rate and manages the risk on behalf of National Government.

**34. Related parties**

The PMTE is controlled through the DPW at National Government level. Only parties within the national sphere of government and entities reporting to National Departments that are subject to common control, is considered related parties.

The PMTE performs property management services for the state owned and leasehold immovable assets occupied by National Departments and their related parties, and recognises and recovers accommodation charges from them.

The PMTE operates within the administration of the DPW and as such all contracts are entered into in the name of the DPW. The liabilities and obligations arising from these transactions are accounted for by the PMTE if it relates to the PMTE operating activities as these liabilities will be settled using the PMTE funds and resources. As such, these transactions are not considered related party transactions.

The PMTE is exempt from disclosure of related party transactions provided that the services are received/delivered within normal supplier/client relationships, on terms and conditions that is no more nor less favourable than those that would have reasonably be expected to be adopted if dealing with that entity/person in the same circumstances. The extent of those transactions delivered in accordance with the PMTE legal mandate and that meets the exemption criteria, is included in note 17 (accommodation charges - leasehold inter-governmental and management fees on municipal services)

\* Restated - See Note 36 and 37

## PROPERTY MANAGEMENT TRADING ENTITY

### Annual Financial Statements for the year ended 31 March 2016

#### Notes to the Annual Financial Statements

#### 34. Related parties (continued)

	2016	2015*
	R'000	R'000
<b>National Department of Public Works</b>		
<b>Revenue from exchange transactions</b>		
Accommodation charges - Freehold Inter-governmental	-	47 723
<b>Revenue from non-exchange transactions</b>		
Augmentation	3 524 652	673 372
Goods and service in-kind	35 203	2 055 669
	<b>3 559 855</b>	<b>2 729 041</b>
<b>Receivables from non exchange transactions</b>		
Department of Public Works (service in-kind)	-	187 183

The related party payables above are unsecured and are expected to be settled within normal course of business.

The PMTE receives free services from the DPW. Overhead costs that can be measured reliably and have been included in revenue from non-exchange transactions as services in-kind. These costs are not recovered by the DPW. The DPW paid the following overhead costs for the day-to-day running of the PMTE:

- Computer related expenses
- Certain furniture and office equipment, computer equipment, other machinery and equipment

During the prior financial period, the budget for certain municipal services on vacant properties not occupied by the PMTE and capital expenditure, still resided with DPW. These charges, paid by DPW on behalf of the PMTE, are related party transactions. The total municipal service expense for vacant properties and total capital expenditure paid by DPW during the prior period was R 10.3 million and R 561 million respectively. In the current year, this budget has been transferred over to PMTE and DPW does not pay any charges on behalf of PMTE.

Other overhead costs include the sharing of corporate services between the DPW and the PMTE. Due to the nature of these transactions and the operational structures between the PMTE and the DPW, the value of these shared costs cannot be reliably measured. These costs, paid by the DPW on behalf of the PMTE and not recovered, include the following corporate shared services:

- Supply Chain Management for head office
- Internal Audit
- Human Resources (Human Resource Management and Human Resource and Organisational Development)
- Gender, People with Disabilities, Youth and Children
- Marketing and Communication
- Information Services
- Legal Services
- Security Management
- International relations and Strategic Management Unit
- Office of the Ministry, Office of the Director General and Office of the Chief Financial Officer
- Monitoring and Evaluation
- Labour Relations

In addition, the DPW and the PMTE share the service cost of certain special interventions entered into in support of the turn around strategy. These cannot be reliably separated. The PMTE receives an augmentation of funds from National Treasury via the DPW to fund its operations.

#### Other related parties

The PMTE recognises accommodation revenue on state owned buildings based on the amount budgeted by client departments. The level of service delivery relating to this accommodation charge is not linked to the value received, it is likely that some clients may benefit to the disadvantage of others. It is not possible to identify the extent of benefit or disadvantage received. The full amount of the revenue transaction is disclosed in note 17. The related receivables (accommodation debtors - freehold inter-governmental) is disclosed in note 3.

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Notes to the Annual Financial Statements**

**34. Related parties (continued)**

Revenue from exchange transactions: Accommodation charges - freehold inter-governmental	2016	2015*
	R'000	R'000
Agriculture, Forestry and Fisheries	86 340	75 078
Arts and Culture	35 134	30 552
Communications	875	761
Correctional Services	973 655	926 600
Defence and Military Veterans	915 108	781 714
Higher Education	732	637
Environmental Affairs	17 640	15 339
Government Communications	28	24
Health	13 639	11 860
Health (Civitas)	80 965	76 382
Home Affairs	42 090	36 600
Human Settlement	447	388
Independent Complaints Directorate	360	345
Justice and Constitutional Development	346 645	331 401
Labour	49 455	43 004
Rural Development and Land Reform	29 976	20 971
Minerals	2 733	2 377
National Treasury	5 119	4 451
National Treasury - SARS	28 990	25 208
Public Services and Administration	17 610	226
SA Police Services	1 146 758	1 096 327
Social Development	477	415
Sports and Recreation	10	9
Statistics SA	5 155	1 070
Trade and Industry	32	28
Water and Sanitation	120 803	101 682
	<b>3 920 776</b>	<b>3 583 449</b>

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Notes to the Annual Financial Statements**

**34. Related parties (continued)**

	2016	2015*
	R'000	R'000
<b>Gross receivables from exchange transactions:</b>		
<b>Accommodation debtors - freehold inter-governmental</b>		
Agriculture, Forestry and Fisheries	-	393
Arts and Culture	8 784	14 279
Defence and Military Veterans	737	-
International Relations and Cooperation	7 258	-
Health (Civitas)	33 735	11 549
International Relations and Cooperation	-	7 258
Justice and Constitutional Development	1	1
Rural Development and Land Reform	1	1
Public Service and Administration	65	-
Statistics SA	941	-
Trade and Industry	60	28
	<b>51 582</b>	<b>33 509</b>

	2016	2015*
	R'000	R'000
<b>Impairment relating to receivables from exchange transactions</b>		
Agriculture, Forestry and Fisheries	-	393
Arts and Culture	1 076	7 292
Defence and Military Veterans	112	-
International Relations and Cooperation	7 258	-
Health (Civitas)	4 745	984
International Relations and Cooperation	-	7 258
Justice and Constitutional Development	1	1
Rural Development and Land Reform	1	1
Public Service and Administration	8	-
Statistics SA	130	-
Trade and Industry	5	3
	<b>13 336</b>	<b>15 932</b>

The PMTE incurs property maintenance costs relating to cleaning and gardening services for leasehold properties occupied by certain client departments. Figures reflected in the tables below reflect the related party transactions applicable per client department. These costs are not recovered from client departments, and therefore considered a free service to them. The related party accruals disclosed below are unsecured and are expected to be settled within the normal course of business.

\* Restated - See Note 36 and 37

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Notes to the Annual Financial Statements**

**34. Related parties (continued)**

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
<b>Expenditure</b>		
Agriculture, Forestry and Fisheries	-	88
Arts and Culture	8 620	8 334
Correctional Services	-	274
Defence	462	205
Justice and Constitutional Development	156 699	143 184
National Treasury - SARS	484	-
Presidency	-	1 662
SA Police Services	38	311
Water and Sanitation	-	15
	<b>166 303</b>	<b>154 073</b>

	<b>2016</b>	<b>2015*</b>
	<b>R'000</b>	<b>R'000</b>
<b>Accruals raised</b>		
Agriculture, Forestry and Fisheries	-	88
Arts and Culture	988	362
Correctional Services	-	274
Defence	-	205
Justice and Constitutional Development	13 626	991
National Treasury - SARS	484	-
Presidency	-	1 662
SA Police Services	38	311
Water and Sanitation	-	15
	<b>15 136</b>	<b>3 908</b>

\* Restated - See Note 36 and 37

# PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

## Notes to the Annual Financial Statements

### 34. Related parties (continued)

#### Remuneration of management

2016	Basic salary R'000	Non-pensionable salary R'000	Service bonus R'000	Post employment benefits R'000	Other short term benefits R'000	Total R'000
<i>Employees</i>						
Regional Manager: Bloemfontein	574	119	56	107	182	1 038
Regional Manager: Cape Town	775	105	65	117	56	1 118
Regional Manager: Durban (Acting)	584	239	49	95	7	974
Regional Manager: Johannesburg	644	125	54	105	174	1 102
Regional Manager: Kimberley	652	285	72	96	83	1 188
Regional Manager: Mmabatho	626	177	52	81	262	1 198
Regional Manager: Mthatha	626	284	52	81	1	1 044
Regional Manager: Nelspruit	645	300	-	105	179	1 229
Regional Manager: Polokwane	730	61	61	103	184	1 139
Regional Manager: Port Elizabeth	684	344	-	112	28	1 168
Regional Manager: Pretoria (Acting)	386	207	-	50	58	701
Chief Director: Construction Management Inland	705	289	59	91	130	1 274
Chief Director: PMTE Financial Planning	652	274	54	107	-	1 087
<i>EXCO Members</i>						
Head of PMTE	2 500	-	-	-	-	2 500
Head: Construction Project Management	888	380	-	-	30	1 298
Head: Real Estate Facilities Management	888	191	74	115	35	1 303
Head: Real Estate Registry Services	1 001	429	-	-	57	1 487
Head: Supply Chain Management	127	39	-	17	-	183
Deputy Director General: Asset Investment Management (Acting)	774	159	65	109	200	1 307
Deputy Director General: Inner City Regeneration	888	120	74	115	72	1 269
Deputy Director General: Key Accounts Management	761	315	63	99	45	1 283
Deputy Director General: Projects and Professional Services (Acting)	626	284	52	81	284	1 327
Deputy Director General: Project Management	889	380	-	-	77	1 346
Deputy Director General: Project Management Office	809	113	-	-	282	1 204
Deputy Director General: Property Management	243	104	-	-	-	347
Deputy Director General: Regional Co-ordination	857	179	72	111	233	1 452
Deputy Director General: Technical Finance expert	74	32	-	-	-	106
	<b>19 608</b>	<b>5 534</b>	<b>974</b>	<b>1 897</b>	<b>2 659</b>	<b>30 672</b>

**Notes to the Annual Financial Statements**

**34. Related parties (continued)**

	Basic salary	Non-pensionable salary	Service bonus	Post employment benefits	Other short term benefits	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>2015</b>						
<i>Employees</i>						
Regional Manager: Bloemfontein	593	115	49	113	177	1 047
Regional Manager: Cape Town	734	97	61	112	49	1 053
Regional Manager: Durban (Acting)	561	228	47	92	9	937
Regional Manager: Johannesburg	611	110	51	100	161	1 033
Regional Manager: Kimberley	593	258	49	88	71	1 059
Regional Manager: Mmabatho	593	162	49	77	159	1 040
Regional Manager: Mthatha	593	269	49	77	40	1 028
Regional Manager: Nelspruit	611	282	-	101	141	1 135
Regional Manager: Polokwane	692	53	58	98	206	1 107
Regional Manager: Port Elizabeth	648	325	-	107	28	1 108
Regional Manager: Pretoria (Acting)	602	220	51	78	82	1 033
Chief Director: PMTE Financial Planning	593	247	49	99	-	988
<i>EXCO Members</i>						
Head of PMTE (Acting)	842	181	70	109	34	1 236
Head: PMTE Finance (Acting)	333	-	-	-	-	333
Head: Real Estate Registry Services	674	288	-	-	-	962
Deputy Director General: Asset Investment Management (Acting)	734	150	61	104	104	1 153
Deputy Director General: Inner City Regeneration	841	110	70	110	90	1 221
Deputy Director General: Key Accounts Management	721	297	60	94	30	1 202
Deputy Director General: Projects and Professional Services (Acting)	593	269	49	77	218	1 206
Deputy Director General: Regional Co-ordination	812	158	68	106	218	1 362
	<b>12 974</b>	<b>3 819</b>	<b>891</b>	<b>1 742</b>	<b>1 817</b>	<b>21 243</b>

During the 2015/16 financial period, management re-evaluated officials that fall under the definition of key management personnel. For comparative purposes, the management emoluments for the prior period has been restated to align to the 2015/16 assessment.

# PROPERTY MANAGEMENT TRADING ENTITY

## Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 34. Related parties (continued)

Other short term benefits comprise of housing allowance, travel allowance and bargaining council contributions. Post employment benefits comprises of pension fund and medical aid contributions to a defined contribution plan

##### Service contracts

The Acting Head of Finance was appointed for 3 months during the 2014/15 financial period.

The Deputy Director General: Real Estate Registry Services was appointed for 8 months during the 2014/15 financial period.

The following key management officials were appointed during the 2015/16 financial period:

<i>Key management official</i>	<i>Appointment period</i>
Regional Manager - Pretoria (Acting)	8 months
Head of PMTE (Acting)	10 months
Head: Supply Chain Management	2 months
Deputy Director General: Project Management Office	11 months
Deputy Director General: Property Management	4 months
Deputy Director General: Technical Finance Expert	1 month

#### 35. Events after the reporting date

There are no subsequent events identified to be disclosed.

**PROPERTY MANAGEMENT TRADING ENTITY**  
**Annual Financial Statements for the year ended 31 March 2016**

**Notes to the Annual Financial Statements**

**36. Prior period errors**

Material differences relating to prior years were adjusted and the prior year financial statements have been restated to this effect. The impact of these errors are summarised below with the details shown separately:

	<b>2015</b>
	<b>R'000</b>
<b>Statement of financial position</b>	-
No impact on receivables from exchange transactions	35 115
Increase in operating lease assets	(14 197)
Decrease in payables from exchange transactions	8 252
Decrease in provisions	(35 564)
Increase in opening accumulated surplus	<b>(6 394)</b>
<b>Statement of Financial Performance</b>	(449)
Decrease in revenue from exchange transactions	204 191
Increase in revenue from non-exchange transactions	(188 726)
Increase in impairment loss	4
Decrease in property maintenance	(15 465)
Increase in property rates	(5 949)
Increase in sundry operating expenses	<b>(6 394)</b>

**Restatement of accrued expenses and provisions**

Due to the PMTE not having an appropriate system for recording accrual transactions, accruals were incomplete in the prior period. The restatement was performed as in some cases the date of the invoice was used to record the transactions and not the date that the goods were received or the services were rendered. A manual accrual management system has been developed and prior period accruals restated. In addition, management identified an error where prior period accruals were not adequately reversed and has subsequently corrected payables and the effect on surplus or deficit.

	<b>2015</b>
	<b>R'000</b>
Decrease in payables from exchange transactions	(14 197)
Increase in property maintenance	(8 248)
Increase in sundry operating expenses	(5 949)
	<b>(14 197)</b>

**Correction of legal claim provision**

Correcting legal proceedings provisions relating to DPW erroneously included in PMTE's provision.

	<b>2015</b>
	<b>R'000</b>
Decrease in provisions	8 252
Decrease in property maintenance	8 252

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Notes to the Annual Financial Statements**

**36. Prior period errors (continued)**

**Reclassification of reversal of impairments on receivables**

Reversal of impairments on receivables was previously erroneously netted off against the impairment losses.

	<b>2015</b>
	<b>R'000</b>
Increase in revenue from exchange transactions	204 191
Increase in impairment loss	(204 191)

**Correction of operating lease asset**

Correction of the straight-lining for freehold private operating lease asset.

	<b>2015</b>
	<b>R'000</b>
Increase in operating lease asset	35 115
Increase in opening accumulated surplus	(35 564)
	<b>(449)</b>
Decrease in revenue from exchange transactions	(449)

**Property rates paid on behalf of other custodians not recovered**

The PMTE paid for property rates on properties under the custodianship of other entities. A correction was made to rectify the error and it was assessed for impairment.

	<b>2015</b>
	<b>R'000</b>
No impact on receivables from exchange transactions	-
Decrease in impairment loss on receivables	15 465
Increase in property rates	(15 465)
	-

**37. Transfer of functions between entities under common control**

**Transfer of functions between entities under common control occurring during the current reporting period**

The PMTE was established as a trading entity that operates within the administration of the DPW. The main purpose of the PMTE was to manage properties under the custodianship of the DPW. In the prior years, the PMTE incurred all the expenses and collected the revenue for the properties which was recognised by the DPW and not recognised by the PMTE prior to the transfer of functions. To align the expenses and revenue to the underlying assets, the DPW transferred certain property management functions, including the related assets, liabilities and staff, to the PMTE.

Functions to be transferred from the DPW have been identified, however, the related assets and liabilities have not been recognised by the DPW, due to the fact that the department is on a modified cash basis. The PMTE is in the process of identifying and measuring the assets and liabilities per the principles of GRAP. In terms of GRAP 105 and Directive 2, the PMTE has 3 years from transfer date to measure all assets and liabilities transferred. Therefore the values above represent provisional amounts as measurement initiatives are still in progress. These values will be updated to comply with the GRAP requirements in the transitional period.

During the transfer of functions, the assets and liabilities listed below were acquired at no consideration from the DPW.

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

#### 37. Transfer of functions between entities under common control (continued)

##### Transfer of function effective 1 April 2013

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 1 April 2013:

- Asset Investment Management
- Property Management
- Facilities Management
- Key Account Management
- Regional Finance Units

Assets and liabilities acquired on 1 April 2013, relating to the above functions, consists of the following:

	Provisional amount as disclosed on 31 March 2015	GRAP Adjustments	Provisional amount as at 31 March 2016
	R'000	R'000	R'000
<b>Assets</b>			
Receivables from exchange transactions	10 460	96 337	106 797
Receivables from non-exchange transactions	86 143	-	86 143
Operating lease asset	65 986	-	65 986
Property, plant and equipment	5 683 793	106 386 411	112 070 204
Investment property	66 506 135	(60 794 909)	5 711 226
Heritage assets	265	610 481	610 746
Intangible assets	40 386	37	40 423
	<b>72 393 168</b>	<b>46 298 357</b>	<b>118 691 525</b>
<b>Liabilities</b>			
Employee benefit obligations	(84 225)	-	(84 225)
Payables from exchange transactions	-	(1)	(1)
Deferred revenue	-	(3 642 974)	(3 642 974)
Retention liabilities	-	165 277	165 277
<b>Net gain on transfer of functions - 1 April 2013</b>	<b>72 308 943</b>	<b>42 820 659</b>	<b>115 129 602</b>

The PMTE previously recorded contingent liabilities of R 11.6 million due to the transfer of functions. No adjustments have been made to this figures.

The extent of deemed cost applied to the following categories of assets amounts to: Property, plant and equipment (R 93 665 million), Investment Properties (R 5, 711 million) and Heritage Assets (R 248 million).

##### Transfer of function effective 1 April 2014

Subsequent to transfer of functions effective 1 April 2013, the DPW transferred further functions to the PMTE in order to support the management of the PMTE's properties under the custodian of the DPW.

The PMTE acquired the following functions and the related assets and liabilities from the DPW on 1 April 2014:

- Inner City Regeneration
- Projects and Professional services
- Regional Co-ordination
- Supply Chain Management
- Regional Support and Regional Managers

**PROPERTY MANAGEMENT TRADING ENTITY**  
Annual Financial Statements for the year ended 31 March 2016

**Notes to the Annual Financial Statements**

**37. Transfer of functions between entities under common control (continued)**

Assets and liabilities acquired on 1 April 2014, relating to the functions transferred above, are:

	Provisional amount as disclosed on 31 March 2015	GRAP Adjustments	Provisional amount as at 31 March 2016
	R'000	R'000	R'000
<b>Assets</b>			
Receivables from non-exchange transactions	66 821	(135 615)	(68 794)
Property, plant and equipment	81 997	9 908	91 905
Intangible assets	6 193	431	6 624
	155 011	(125 276)	29 735
<b>Liabilities</b>			
Employee benefit obligations	(66 821)	-	(66 821)
Finance lease obligation	(5 825)	(3 309)	(9 134)
<b>Net gain/(loss) on transfer of functions - 1 April 2014</b>	<b>82 365</b>	<b>(128 585)</b>	<b>(46 220)</b>

**Effects of transfer of functions on the financial statements**

The transfer of functions, effective 1 April 2013 and 1 April 2014, impacted the financial statements as follows:

	2015	2014
	R'000	R'000
<b>Statement of Financial Performance</b>		
Revenue from exchange transactions	1 726 351	3 079 448
Revenue from non-exchange transactions	586 688	235 143
Depreciation, amortisation and impairments on assets	(2 535 161)	(2 421 972)
Impairment loss on receivables	135 615	-
Interest expense	(83)	-
Loss on disposal/transfer of assets	3 863	(432)
Property maintenance	381 985	(12 079 551)
Sundry operating expenses	10 957	16 414
	<b>310 215</b>	<b>(11 170 950)</b>
<b>Statement of Financial Position</b>		
Receivables from exchange transactions	7 430	4 702
Property, plant and equipment	92 491 044	94 615 868
Investment property	(61 099 468)	(60 949 093)
Heritage assets	1 146 788	922 914
Deferred revenue	(410 817)	(2 591 640)
Payables from exchange transactions	(301 967)	(353 037)
Finance lease obligation	(2 010)	-
Intangible assets	344	(2)
	<b>31 831 344</b>	<b>31 649 712</b>

## PROPERTY MANAGEMENT TRADING ENTITY

Annual Financial Statements for the year ended 31 March 2016

### Notes to the Annual Financial Statements

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#### 37. Transfer of functions between entities under common control (continued)

##### Other information

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of the respective GRAP standards, are as follows

- **Identification of properties and its components:**  
The PMTE is currently utilising various service providers to assist with the physical verification of assets, including identification of significant components in accordance with its asset management policy
- **Calculate deemed carrying amount:**  
Part of the physical verification process, the condition of the asset is assessed to determine the remaining useful life that will be used in determining the estimated useful life for depreciation purposes and determining a carrying amount in accordance with GRAP
- **Recording of assets and measuring items or components in accordance with GRAP:**  
Once the physical verification process has been completed, the items must be recorded at a deemed cost (carrying amount) as determined. Moveable assets (computer equipment, furniture and office equipment, other machinery and intangible assets) will be transferred on the LOGIS system to a separate store which is ring-fenced and marked to identify the PMTE's assets. Immovable assets (properties, infrastructure and heritage assets) will be recorded on a separate asset register

To enable the PMTE to account for these assets in accordance with GRAP, PMTE will measure these assets at a deemed carrying amount. To determine the carrying amounts the following different methods will be applied:

- Movable assets with a cost, recorded on LOGIS system, will be depreciated from acquisition date until transfer of functions date taking into account its current condition and remaining useful life. The deemed carrying amount of movable assets with no values will be based on similar assets taking into account the condition and future use of the asset. The DPW only included values (cost/deemed cost) for movable assets acquired after April 2002. All other assets were included at no values/R1 in their asset register
- Using the most recent municipal valuations per municipal rolls dated closest to the transfer date, commencing with the 2013 valuations and onwards, taking into account any capital improvements made to the existing property from date of transfer of the assets to date of municipal valuation used, as well as information obtained from the current physical verification process that is taking place. A valuation tool will be applied to calculate the apportionment of deemed estimated carrying amounts to be allocated to identified components of an asset. Where it has been identified that a municipal valuation cannot be used to value a property, the following generally accepted valuation methodologies will be applied, depending on the nature of the asset
- Depreciated Replacement Cost (DRC) methodology for the more specialised properties. Whereby the replacement cost is then adjusted using two normative measures to reflect the difference between the existing asset and a new asset of a similar nature. The two normatives are:
  - i) physical condition of the existing asset as compared to the new asset of a similar nature, and
  - ii) functionality of the asset, thus the functional attributes that should form part of a new asset of a similar nature, which may to some extent, be present in the existing asset
- Sales comparison method for vacant land and other properties. Land values will be determined taking cognisance of area-based land values differentiating between regions
- Moveable assets recorded on the LOGIS system will be depreciated from acquisition date till transfer of functions date taking into account its current condition and remaining useful life



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